Bálint Magyar – Bálint Madlovics

The ANATOMY of POST-COMMUNIST REGIMES

A Conceptual Framework

Preface by Alena Ledeneva



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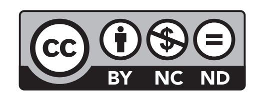


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None of the above-mentioned are responsible for any errors or opinions in this book.

Reader’s Manual for QR codes and Online Supplementary Material

The book is linked to a website, www.postcommunistregimes.com. The site contains:

- **the text of the book**;
- **the draft of a seminar**, with syllabus and eleven PowerPoint-presentations prepared for a course on post-communist regimes (MA or PhD-level);
- a **3D interactive model** of post-communist regime trajectories;
- **other supplementary materials**, including the appendix (related to the details of the regime trajectories that only appear in a visualized way in Chapter 7).

At relevant points, links to the “other supplementary materials” will be provided in footnotes. The book also includes **QR codes** for the three other types of online content.

The following QR code links to the **online version** of the text:



In the book, every QR code framed by a rectangle links to the **seminar presentation**:



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QR codes are placed at relevant points of the text. The 3D model, which is included in the printed book in form of static figures, is available on the website in both an online "basic" version and a downloadable "advanced" version. (The triangle-framed QR-codes lead to the former.) The website also contains the authors' contact info, CVs, and former publications, as well as links to reviews and information about related events.

Preface

by Alena Ledeneva, University College London, Founder of the Global Informality Project

Back in the 1980s, when I was a student in the Soviet Union, sociology was not an officially recognized discipline. This is not to say that I could not study it. As it was often the case in 'real socialism', everything was prohibited, but anything was possible. Deep in the taiga, sociologists of the Siberian branch of the Soviet Academy of Sciences, have been conducting sociological research since the 1960s. The Institute of Economics department of social problems had produced multiple classified papers on social problems in rural Siberia. One of them, stating a yawning gap between the claims of communism and the actual performance of stagnating socialism, the so-called Novosibirsk report was leaked and published in the *Washington Post* in the August of 1983. The Soviet realities of informal economy and informal governance have shaped the agenda and methodology of economic sociology emerging from the department of Tatiana Zaslavskaya.

That paper and many others developed by Siberian sociologists had been influenced by their Hungarian colleagues, already working on ideologically marginal subjects of inequality and social stratification under communism, income distribution and privilege systems. I remember the samizdat translations being circulated and discussed, tested and applied. Iván Szelényi's research on social inequalities, elitism and hidden marketization within the communist system and János Kornai's conclusion of the systemic nature of its flaws—soft-budget constraints, state ownership, and ideological decision-making—were particularly subversive.[1] Yet these early analyses of socialism also drew attention to the inner logic and complexity of socialist systems, as well as controversies in the communist governance.

They identified the grey zones, which became much more obvious with hindsight. Hungary had pioneered the economic reforms, but not in a direct manner. Kornai wrote:

> There was no question of communist political power imposing private ownership on the economy in the period between 1968 and 1989. Nonetheless, private ownership began to develop spontaneously once the political sphere had become more tolerant.[2]

Similar ambivalence can be observed on a vast scale in China, where the communist party reaffirmed has reaffirmed its commitment to non-democratic values in 1989 by a brutal crush of the Tiananmen square protests, but at the same time not only allowed, but encouraged markets to develop and the private sector to grow on an unprecedented scale.

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1 Kornai, *Economics of Shortage*.

2 Kornai, "What the Change of System from Socialism to Capitalism Does and Does Not Mean," 29.

It is such paradoxical attitudes applied by communist parties, ability to sustain ideology while dealing with complexity, to believe yet remain pragmatic, to turn a blind eye in some circumstances yet exercise punishment in others, to coopt but also to control, that sustained sophistication of socialist governance. It is these practices of navigating the doublethink, double-deed, double standards and double motivation that have been lost on the preachers of democracy since the collapse of the Berlin's wall in 1989. It was presumed that once people are given freedom from communism, they would embrace democracy. The outcome has turned out to be much more complex.

However temporary the existence of socialist regimes may seem from the 21st century, it is paramount to acknowledge their lasting legacies and learn their lessons in tackling ideological constraints, governance issues, and the complexity of 'real' socialism. Thirty years on, we continue to witness the boomerang effect of the post-1991 euphoria, an intense happiness about the end of the enemy-number-one and passionate self-confidence predominant in democratic discourses since "by the grace of God, America has won the cold war" in the current affairs.

As a result of the spectacular 1989 withdrawal of communist ideology across Europe and Eurasia, the 1990s' intellectual scene became dominated by the protagonists of transition economies[3] and theorists of post-socialism.[4] In the decade of the 2000s, and especially since the accession of formerly socialist countries to the European Union in 2005–2007, concerns over the language of transition have emerged from the comparative analyses of the three waves of democratisation globally. Transitioning economies have departed from authoritarian dictatorships yet have never arrived to consolidated democracies.[5]

The thesis of the 'end of the transition paradigm' pointed to the prevalence of grey zones where the majority of transiting regimes find themselves and the academic incapacity to describe them without references to non-existing poles of the authoritarianism-democracy binary. The puzzle can be formulated as follows: political scientists have a critical mass of cases that cannot be categorized clearly and fall into the grey area of 'neither-nor' or 'both,' which brings the binaries themselves into a question.[6] Bálint Magyar and Bálint Madlovics place this theoretical point, made in social theory much earlier, into the context of post-communist regimes.[7]

Magyar and Madlovics's *The Anatomy of Post-Communist Regimes* could not have been more timely. Once a testing ground for normative and confidently prescribed 'one-size-fits-all' democratic reforms, neo-liberal macro-economic packages and the opening-breakthrough-consolidation logic of democracy, the so-called post-communist regimes start reflecting upon their pathways and seek legitimacy within rather than outside national borders. The emerging governance crises in democratic regimes press further for finding adequate ways to reflect what binaries, such as capitalism and socialism, good and bad governance, democracy and authoritarianism could not grasp. The complexity of

[3] World Bank, "Transition - The First Ten Years"; World Bank, "Economies in Transition."

[4] Müller, "Goodbye, Postsocialism!"

[5] Carothers, "The End of the Transition Paradigm."

[6] Ledeneva, *The Global Encyclopaedia of Informality*.

[7] Merton, *Sociological Ambivalence & Other Essays*; Bourdieu, *In Other Words*; Bauman, "Modernity and Ambivalence"; Magyar, *Stubborn Structures*.

the post-communist regimes, not fitting the transition paradigm or engaged in political U-turns has put pressure on the normative, top-down, US-centred theoretical approaches to their conceptualisation.

Not paying attention to the ambivalence of communist regimes has led scholars to arrive at categorising regimes with reference to their past (post-), to their performance against teleological target (quasi-, semi-, illiberal, democracies with adjectives), or to their hybrid nature (hybrid regime). It might be worth pointing out the obvious: hybrid regimes are hybrid from the perspectives of observers, who prefer to compress the puzzle of ambivalence into a hybrid category that allows us to come up with a narrative or conceptualisation in a short term. In the language of participants, there is nothing hybrid about the regimes. There are front and backstage practices, complex overlaps of rules and norms, various terminologies depicting competing interests, yet the synthesis that would result in a clear categorisation of the regime remains beyond reach. Arguably, hybrid concepts are a practical solution to delay the necessity of facing the ambivalence and the complexity it produces for the governance, an issue by no means restricted to the post-communist world.

This book makes an ambitious attempt to assemble concepts that proved robust and relevant for participants as well as for observers of post-communist regimes. In fact, the book starts with an observation that a 'renewal of the language used to describe [post-communist] regimes' is long overdue. The authors' major contribution here is twofold. First, they establish the state-of-the-art vocabularies bottom up to balance off the predominant top-down conceptualisations of post-communist trajectories. The second, and more ambitious, contribution is systematic mapping of possible post-communist trajectories, departing from the ideological hegemony, bureaucratic structure and state-dominated economy but not really arriving at proclaimed destinations. Consistent with Magyar's previous project, this new book investigates 'stubborn structures' and path-dependency, defined as deeply embedded norms shaping political outcomes behind the facades of formally reformed institutions. The authors associate such norms with "informal, often intentionally hidden, disguised and illicit understandings and arrangements that penetrate formal institutions."

The cross-disciplinary connotations of 'stubborn structures' are immediate: from Weber's "habitual action," de Certeau's "quotidien," de Sardan's "practical norms" to Hall's "high-context cultures," Geertz's "thick description" and "local knowledge," Polanyi's "tacit knowledge," Chomsky's "deep structures" etc. Through social interactions, individuals develop a shared meaning of the "rules of the game", "rule-following" or "rule-bending."[8] Individual strategies of problem-solving rely on collectively shared expectations, context-bound norms and result in social practices deemed appropriate. Such practices may derive from historical preference, cultural legacies, religious values, tacit understanding and habitual behaviour that work against the rational choice-based modelling. To a large extent, such practices account for the democratic back-pedalling associated with the underperformance of democratisation efforts in post-socialist Europe and Eurasia and the persistence of 'stubborn structures.'

The authors search through the existing literature to establish relevant conceptions to relate to such practices and combine these with their own findings in order to offer

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[8] Respectively North, "Institutions"; Ledeneva, *Unwritten Rules*.

a coherent multi-level analytical framework for post-communist regimes. Effectively, they produce a conceptual "toolkit" or "vocabulary" for important actors, processes, and (often informal) institutions. When faced with a choice of formats for the resultant assemblage of concepts, trajectories and terms, whether used by participants or coined by observers, the authors opt for a mixture of encyclopaedic and anatomical ones.

The encyclopaedic format has both advantages and disadvantages. While it may border on the descriptive or lack room for discussion, it also allows for an inductive, bottom-up approach to data collection, accommodates conceptual multiplicity in the field and sets out grounds for experimental take on post-communism and modelling its complexity. Anatomical format splits material into functional clusters: politics, economy and society; structures and actors. The advantage is evident, as one can embrace clusters of concepts related to the same domain and be briefed about the range of existing approaches in an effective way. The disadvantage is that, strictly speaking, it is not possible to associate each particular entry with a specific cluster. Thus, church, for example, could appear in all clusters, as it performs different functions in society, while also playing a role in economy and politics, extracting economic benefits and political gains from colluding with the executive power.

In a similar effort to structure *The Global Encyclopaedia of Informality*, I faced a similar challenge, whereby the same practice could be representative of network-based re-distribution, communal solidarity, individual survival and systemic coercion. Solving this structural problem has pointed to the centrality of ambivalence to the functioning of practices we aim to conceptualise. In dealing with the Global Informality Project dataset I have opted for the encyclopaedic principle at the start, i.e. non-normative, non-hierarchical, non-geographical approach, and applied rigour by including entries generated bottom-up, by user communities and expressed in the vernacular, while also making it possible to create a multiplicity of observer-standpoint clusters in the online version of the dataset (www.in-formality.com).

In a similar way, the authors of *The Anatomy of Post-Communist Regimes* adopt a structuralist approach, driven by language. They tackle complexity and multidimensionality of post-communist regimes not simply by cataloguing existing concepts but by relating them to each other and constructing a broader, overarching framework: a new language for post-communist regimes. The authors focus on categories of the higher order, as it were, that is those used by observers: patronal democracy, conservative autocracy, and market-exploiting dictatorship. The notion of the adopted political family, for example, includes kinship and quasi-kinship relationships, thus constituting networks that differ from other types of human associations such as class, feudal elite, or nomenklatura. Innovative methods like the proposed triangular model, use of certain terms, and instances of concept-stretching necessary for fitting them into the proposed framework sometimes stagger the reader, overwhelmed by the colossal effort undertaken by the authors. The scope and ambition of the book are balanced off by the integration of the valuable perspectives "from within," taking us beyond the existent top-down and bottom-up approaches.

Countries analysed from a variety of aspects, comparatively or as single, illustrative short case studies, include Estonia, China, the Czech Republic, Georgia, Hungary, Kazakhstan, North Macedonia, Moldova, Poland, Romania, Russia, and Ukraine. The resulting outcome significantly expands our understanding of the "real politics" of post-communist regimes and represent a shift from the Western-centred perspectives to the context-rich

conceptualisations. With the ongoing global U-turns to dictatorships and democratic back-pedalling occurring in democracies, we witness a certain linguistic turn in political science in response to the post-communist experience. With some notable exceptions, a switch of terms from democracy to kleptocracy does not yet mean a change in the top-down, US-centred, normative approaches, often grounded in the oblivion of their own histories.

The conceptual, methodological and semantical innovations contained in *The Anatomy of Post-Communist Regimes* will undoubtedly produce an abundance of reactions among scholars, students and readers yearning for orientation in the complex world of post-communist realities.

Introduction

Trapped in the Language of Democratization



After the collapse of the Soviet Union, the newly gained dominance of **liberal democracy** as a political regime was accompanied by a newly gained dominance of liberal democracy **as a descriptive language**. This means that the social science concepts that had been developed for the analysis of Western-type polities were applied to the various phenomena in the newly liberated countries. Scholars started to describe these polities as some forms of "democracy" with certain kinds of "governments," "parties," "politicians," "checks and balances" and so on. Indeed, such categories are intertwined and form a special narrative context, a framework of Western-type democracies where the categories have their particular characteristics and their relative place and connections to the other categories of the framework. Therefore, **the use of this language** of liberal democracies **implicitly assumes the structure and logic of Western-type polities**, that is, that the regimes the language is used for do share the essential features, the pattern of elements and internal dynamics, of liberal democracies.

This belief is deeply rooted in the euphoric state that followed the collapse of communist regimes. **"The end of history"** quickly became the hallmark phrase of this period. This phrase, somewhat simplifying what Francis Fukuyama actually said in his 1992 book of the same title,[1] expressed an outright optimism about the decisive victory of liberal democracy leading to an irresistible wave of democratization around the globe. The **geopolitical argument**, underpinning this belief, saw the above-mentioned collapse as the **end of the relatively unambiguous world order defined by the competition of two superpowers**, a democratic and a dictatorial one. For the world's polities had either been associated with one pole or the other,[2] the obvious conclusion from the fall of the latter pole—the Soviet Union and the Eastern Bloc—was that countries can only be associated with the winner pole—the United States and the Western Bloc. Adding to this the active American policy of democracy assistance,[3] it is easy to see why democratization appeared to be inevitable and history, indeed, ended.

The euphoric view also embodied a normative, **liberal argument**. This meant **a moral impetus for the universal extension of human rights** as well as the political system that can guarantee those rights the best.[4] From this standpoint, the post-communist regime changes provided a unique opportunity for the peoples who had suffered under

[1] Fukuyama, *The End of History and The Last Man*.

[2] O'Donnell and Schmitter, *Transitions from Authoritarian Rule*; Diamond, Linz, and Lipset, *Democracy in Developing Countries*.

[3] Carothers, "Democracy Assistance"; Carothers, *Aiding Democracy Abroad*.

[4] Holmes, "Democracy for Losers."

communist rule to build free democracies for themselves, adopting the values of the post-WWII West. On the other hand, the liberal position also meant **a moral inhibition toward taking into full account the historical and cultural background of post-communist societies**. It was more in line with the liberal view of human equality to disregard the institutional and cultural ruins of communism: to believe that every nation has the same potential to build Western-type liberal democracies, and that there exists an inherent desire for the freedoms the West values—indeed, the freedoms the people are entitled to—just this desire had been suppressed by communist dictatorships.[5] This is an important reason why transitology and the studies of the success of democratization have tended to focus more on the political method of regime change, the quality of institutional setup, the interests of the elites, and finally the visible hand of the West manifested in economic and political linkage.[6]

The geopolitical and the liberal arguments seemingly justified that post-communist countries should be analyzed in the terminological framework of liberal democracy, which was seen as the endpoint of a linear development for which the base conditions were more or less granted. The specific features of every polity were to be expressed in terms of congruence and deviance from the teleological vision of democracy. **All divergences from the way of democratization were seen as mere "teething problems"** that are surmountable and are to be surmounted.

As "deviances" became more and more disturbing and the end of the transition paradigm developed,[7] the scholarly reaction was a widespread **change of regime labels without a change of the regime framework**. In other words, while new terms were coined to name the various non-democratizing regimes, the underlying language that was used to describe their specific features remained almost intact. The introduction of new categories for sub-regime elements was much more *ad hoc* than the labeling attempts of comparative regime theory,[8] and basically no one has attempted systemically to revise the categories and harmonize them with the new labels.

Indeed, we are trapped in the analytical language that gained dominance in the 1990s. **Although the transition paradigm has been consensually rejected**, we kept the terminological framework of Western-type polities and **have continued to use the language of liberal democracy to describe post-communist systems.** The same terms are used to describe the inner elements of post-communist regimes as if they indeed retained the above-mentioned logic and dynamics of liberal democracies—even though they are not recognized as liberal democracies anymore.

The language of liberal democracies perpetuates misunderstanding in the theories and views **regarding the present state of post-communism.** Using the same analytical categories for the Western as well as the post-communist region inevitably results in conceptual stretching and brings in a host of hidden presumptions, many of which—as we will

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[5] Sen, "Democracy as a Universal Value."

[6] Schmitter and Karl, "The Conceptual Travels of Transitologists and Consolidologists"; Bunce, "Should Transitologists Be Grounded?"; Levitsky and Way, *Competitive Authoritarianism*.

[7] Carothers, "The End of the Transition Paradigm"; Levitsky and Way, "The Rise of Competitive Authoritarianism."

[8] For a critical meta-analysis of these developments, see Cassani, "Hybrid What?"

show in this book—simply do not hold for post-communist countries. **Also, the context expressed in the language distorts attempts at empirical analysis** and data collection. From this respect, the effect of the presumption of simple comparability of Western regimes with post-communist regimes can be best captured with so-called continuous measures. These measures assess the state and trend of "democraticness" of the countries of the world quantitatively, selecting a range of institutions or criteria, and ranking them on continuous scales. These measures are then aggregated and the country is given regime label according to its cumulative score.[9] Research institutes like *Polity* and *Freedom House* collect, for every country, a uniform set of available variables and they are aggregated according to the same algorithm in case of every country. While it produces decent databases for scholarly use, this method indeed presupposes that every regime, Western or otherwise, looks essentially the same: that they can be understood by focusing on the same kind of components—the actors and institutions the collected variables focus on—which are all structured in the same way with the same pattern of emphases—as expressed by the uniform method of aggregation. These presumptions, and the dubious nature thereof, would have already become clear had different words been used for the elements of different contexts; it would have been obvious that what happens is indeed analyzing apples and oranges, or rather apples and kangaroos in the same way.[10] But the language of liberal democracies has concealed structural differences and even their probability, and allowed for the analysis of post-communist polities just as if they were Western ones.

The Inadequacy of Existing Models for the Post-Communist Region

But is it really unjustified to look for the same elements in post-communist and Western regimes? **Are post-communist countries fundamentally different? To answer this, we have to see what the regimes' fundamentals are.** We need to take a closer look at the existing models, that is, the scholarly understandings of the systems which have developed after the so-called "third wave of democratization"[11] so we can reveal their presumptions, and why they are not applicable to post-communism.

The failure of the paradigm of linear transition from communist dictatorship to liberal democracy became apparent within a decade after the regime changes. Some post-communist countries, like Estonia, Poland or Hungary, moved remarkably close in a few years to the Western-type model of liberal democracy, whereas in post-communist countries further east, like Russia and the Central Asian countries, democratization seemed to have stopped or turned back soon after the beginning of the process.[12] As it became increasingly difficult to overlook the disappointment in this regard, **the literature on the**

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[9] For a critical meta-analysis, see Bogaards, "Where to Draw the Line?"

[10] Bunce, "Should Transitologists Be Grounded?," 112. Cf. Sartori, "Comparing and Miscomparing."

[11] Huntington, *The Third Wave*.

[12] Zakaria, "The Rise of Illiberal Democracy."

transition grew richer: scholars started to introduce new regime labels, reflecting on the nature of the not-so-democratic polities.

At first, in the period that may be called **"the transitology phase" of analysis,** political scientists presumed that **post-communist countries set off in the direction of the liberal democratic world, just not arrived yet**. Indeed, transitology appeared not only as a transformation of social systems but also as a reference to its own literal meaning: these systems are underway, and form different models according to the rate of their distance or deviation from liberal democracy.[13] Under this assumption, several branches of research have appeared in the literature. First, the most literal branch of "transitology" focused on the process of transition itself, both in the post-communist region and Latin America. Samuel P. Huntington, Guillermo O'Donnell, Philippe C. Schmitter and Adam Przeworski are regarded as classics of this branch.[14] Second, the "consolidology" branch—popular mainly in the second half of the 1990s—placed emphasis on the consolidation of democracy in transition countries, as analyzed in the works of Juan Linz, Scott Mainwaring, and Larry Diamond, among others.[15] Finally, "Europeanization" can be regarded as a branch of transitology, although it evolved differently from mainstream comparative regime theory. With exponents like Frank Schimmelfennig and Ulrich Sedelmeier, the Europeanization literature examined the convergence of Central-Eastern European post-communist countries to the European Union (EU).[16] It was also the longest surviving branch of transitology (at least until 2008), which is explained by the fact that it focused on the "success countries," that is, where the assumption of transitology—regime change from communism to the Western model—was the least obviously wrong. The scholars of Europeanization hoped the EU accessions of 2004 and 2007 would deepen democracy further, whereas Western linkage and leverage was presumed to be strong enough incentives against any kind of "backsliding" on the road to liberal democracy.[17] Later on, though, even in this part of the region the failure of linear progression became obvious, most spectacularly in the cases of Hungary and Poland.[18]

Conceptualizing regimes, for transitology **the adequate labels for "transitional regimes"** that were "gravitating toward the democratic end at a varying pace" were the so-called diminished subtypes. Diminished subtypes are **democracies with adjectives**: categories that add privative suffixes to the term democracy like "illiberal," "electoral," "defective," and so on. The aim of such conceptualization was to point out the defects of the given regime vis-à-vis the Western model. As two leading scholars of democratization put it, democracies with adjectives should be seen as "less than complete instances of democ-

[13] For a meta-analysis, see Kopecký and Mudde, "What Has Eastern Europe Taught Us about the Democratization Literature (and Vice Versa)?"

[14] Huntington, *The Third Wave*; O'Donnell and Schmitter, *Transitions from Authoritarian Rule*; Schmitter, "Transitology"; Przeworski, "Transitions to Democracy."

[15] Linz and Stepan, *Problems of Democratic Transition and Consolidation*; Mainwaring, O'Donnell, and Valenzuela, *Issues in Democratic Consolidation*; Diamond, *Developing Democracy*.

[16] Schimmelfennig and Sedelmeier, *The Europeanization of Central and Eastern Europe*.

[17] Levitz and Pop-Eleches, "Why No Backsliding?"

[18] Magyar, "Parallel System Narratives."

racy," and also "in using these subtypes the analyst makes [a] modest claim about the extent of democratization."[19] Despite the obsolescence of the transition paradigm, such labels in the genre of diminished subtypes remain highly popular to this day.[20]

The transitology phase of analysis was gradually replaced by **"the hybridology phase of analysis"** in the literature of comparative regime theory. **The new regimes were finally seen as stable**, that is, not gravitating towards the democratic or the dictatorial pole but sitting on specific equilibria between them. This is not to say that these regimes are static; only the linear development toward liberal democracy was no longer presumed. Realizing the presence of *sui generis*, electoral but not democratic regimes,[21] scholars introduced the concept of a permanent "grey zone" between democracy and dictatorship, positioning existing polities along **the democracy-dictatorship axis** (Figure I.1).

Figure I.1. The democracy dictatorship axis, with a grey zone between the two poles

Liberal democracy	Hybrid regimes			Dictatorship
Liberal democracy	Electoral democracy	Competitive authoritarianism	Hegemonic authoritarianism	Closed authoritarianism
Democracy		Autocracy		Dictatorship

First categorization: Larry Diamond, "Thinking about Hybrid Regimes," *Journal of Democracy* 13, no. 2 (April 2002): 21.
Second categorization: Marc Morjé Howard and Philip G. Roessler, "Liberalizing Electoral Outcomes in Competitive Authoritarian Regimes," *American Journal of Political Science* 50, no. 2 (April 1, 2006): 367.
Third categorization: János Kornai , "The System Paradigm Revisited: Clarification and Additions in the Light of Experiences in the Post Communist Region," in *Stubborn Structures: Reconceptualizing Post-Communist Regimes*, ed. Bálint Magyar (Budapest–New York: CEU Press, 2019), 21–74.

Conceptualization attempts of the grey zone may be categorized into **two groups**. **First, the zone can be understood as not a scale**, extended between the endpoints of the axis, **but a mere group of regimes that are neither democracies nor dictatorships.** Regime labels **"hybrid"** or **"mixed"** are included in this category, for such terms do not seek to define the respective regime in correlation to any polar type at all. Also in this group, there are the various labels that were created for concrete, stable regime types inside the grey zone without defining a fixed position relative to both of the axis' ends. Instead, they position the respective regime nearer one pole which they feel it closer to, and define the regime as a twisted form of that polar type. For examples, one can think of labels such as **"managed democracy"** or **"competitive authoritarianism."** Indeed, several diminished subtypes have joined this group, too, starting to mean a distinct regime type instead of a transitional

[19] Collier and Levitsky, "Democracy with Adjectives," 437–38.

[20] For a meta-analysis, see Bogaards, "How to Classify Hybrid Regimes?"

[21] Diamond, "Thinking About Hybrid Regimes."

station. "Defective democracy" is a good example for such a development, itself getting several (normal) subtypes from comparativists,[22] but "illiberal democracy" has also been understood as an independent regime type that is not a democracy anymore.[23]

Table I.1 offers a compilation of the regime concepts of this group.[24] For the sake of precision, we included the names of the authors chiefly associated with the given terms. In addition, it is worth mentioning that the proliferation of regime concepts is not limited to hybrid regimes, but some have been developed for the two polar types as well. Especially interesting are the elaborations on the notion of liberal democracy, marking dissatisfaction with the current state of Western-type society in both normative and conceptual sense. These new terms are also included in the table, giving a more complete picture of the current status of regime theory.

Table I.1. Proliferation of political regime categories. Source: modified from Bozóki and Hegedűs (2018), in chronological order of the introduction of the labels in the literature.

Liberal democracies	Hybrid regimes	Dictatorships
Representative democracy (consensual or majoritarian), and further classifications: • **Polyarchy** (*Robert Dahl*) • **Participatory democracy** (*Carol Pateman*) • **Deliberative democracy** (*Jürgen Habermas*) • **Elitist democracy** (*John Higley*)	**Mixed regimes between democracy & dictatorship:** • **Democradura and dictablanda** (*Guillermo O'Donnell & Philippe Schmitter*) • **Delegative democracy** (*G. O'Donnell*) • **Illiberal democracy** (*Fareed Zakaria*) • **Managed democracy** (*Archie Brown*) • **Competitive authoritarianism** (*Steven Levitsky & Lucan Way*) • **Electoral authoritarianism** (*Andreas Schedler*) • **Semi-democracy** (*Larry Diamond*) • **Liberal autocracy** (*Larry Diamond*) • **Defective democracy** (*Wolfgang Merkel*) • **Plebiscitary leader democracy** (*András Körösényi*) • **Externally constrained hybrid regime** (*A. Bozóki & D. Hegedűs*)	**Authoritarian & totalitarian regimes:** • **Communist and fascist totalitarian dictatorship** (*Hannah Arendt, Carl Friedrich & Zbigniew Brzezinski*) • **Post-totalitarianism** (*Václav Havel*) • **Authoritarianism** (*Juan Linz*)

The second group of concepts includes labels that were created as parts of a scale, reaching from the democratic to the dictatorial pole. **Such a scale may be discrete** where regime types are defined along the various mutually exclusive states of one or more variables, covering the entire scale seamlessly. An example of such categorization is depicted on Figure I.2. On that scale of Howard and Roessler, the defining variable is electoralism and regimes follow each other strictly, according to the degrees of removability of the rulers. The mutual exclusivity of the levels can also be noticed, for there is no logical space between the binary options of having contested or uncontested elections, for instance. Theoretically, one can create such scales using any number of variables. Indeed, a two-dimensional framework, classifying regimes by the two variables of electoralism and constitutionalism, was created

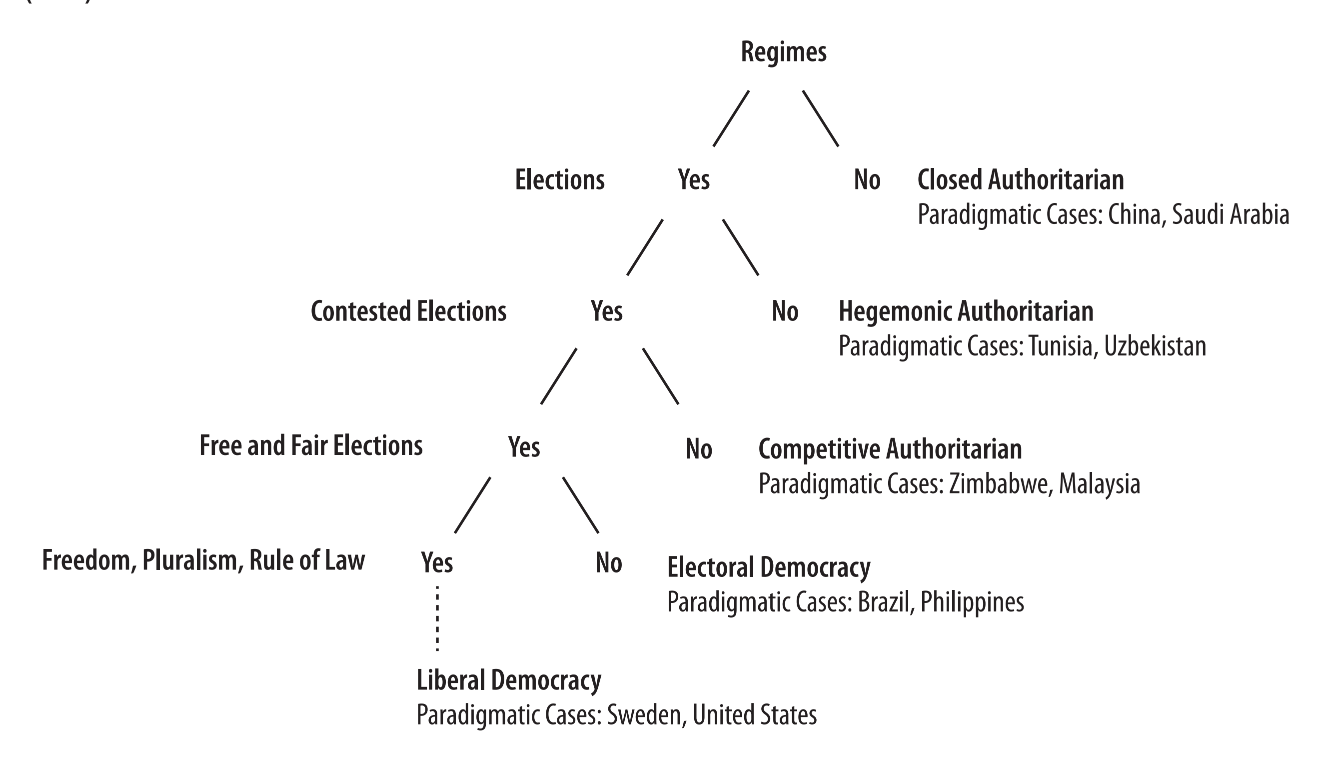
[22] Croissant, "From Transition to Defective Democracy."

[23] Bozóki, "Beyond 'Illiberal Democracy': The Case of Hungary," 94–98.

[24] Bozóki and Hegedűs, "Democracy, Dictatorship and Hybrid Regimes."

by Mikael Wigell,[25] whereas a three-dimensional one with competitiveness, civil liberties and tutelary interference as aspects of categorization is offered by Leah Gilbert and Payam Mohseni.[26]

Figure I.2. Disaggregation of regimes along the dimension of electoralism. Source: Howard and Roessler (2006).



Alternatively, the scale of the grey zone can also be seen continuous. A particularly successful attempt at such conceptualization is that of János Kornai, who understands a polity along 10 dimensions (variables) and succinctly defines "democracy," "autocracy" and "dictatorship" as three ideal types, between which there is logical space to position intermediate regimes.[27] Indeed, this approach, which can be seen as the third categorization on Figure I.1, turns the original democracy-dictatorship axis into a two-part democracy-autocracy-dictatorship axis. But as opposed to the distinct hybrid regime concepts, Kornai's so-called **ideal types** call for positioning the respective polity into the space between them, and defining the relative distance of the regime from the ideal types. Along the ten dimensions—to be shown and analyzed further in the book—a regime can be put on the scale closest to the ideal type it is the most similar to, and less close to another ideal type according to its particular differences to the former and the latter types. Also, in line with the main assumption of hybridology, these are no longer the stations of a strictly linear development but independent, self-maintaining political system types. Crossing from one to the other is not unidirectional; it is possible both ways.

[25] Wigell, "Mapping 'Hybrid Regimes.'"

[26] Gilbert and Mohseni, "Beyond Authoritarianism."

[27] Kornai, "The System Paradigm Revisited."

Contrasting the two phases of comparative regime theory, **hybridology is clearly a positive step** from transitology.[28] Hybridology escaped from one set of false presuppositions and showed that regimes do not necessarily move toward Western-type democracy, and "transitional stations" can indeed be terminal ones. It is based on the idea that the new regimes are not what they present themselves to be: behind a democratic façade, there is autocratic politics.[29] It is this discrepancy hybridology builds on, breaking with the transitologist approach that would have explained this phenomenon as a teething problem of "uncultured politics," or a temporary deviance resulting from "underdeveloped institutions." Indeed, non-democratic traits are system-defining features in hybridology—which means they have done away with understanding *sui generis* features as deviances on principle. However, hybridology narrows the set of the phenomena that make up the regime definition to political institutions. This is quite understandable in the case of political scientists, but this method embodies a fundamental presumption, making these scholars relegate many phenomena to a secondary category of importance, whereas they can be defining traits as well. This is **the presumption that the center of a polity is a distinct political sphere**, that is, that political processes are indeed defined by formal actors—such as politicians—and formal institutions—such as the government and the ruling party. This presumption manifests in an exorbitant focus on the aforementioned factors in regime analyses. As it can be seen from the review above, the theories of hybridology (as well as transitology) deal with primarily political phenomena, actors and institutions. Even when scholars talk about "tutelary interference," referring to powerful businessmen or an influential church, their very words imply that the regime's center is the political sphere which "external actors" only "interfere" with.

Whether the presumption is true depends on the presence of a distinct political sphere or, in other words, whether the society in question has gone through the process of **the separation of spheres of social action.** Claus Offe divides the field of possible social activities into three categories: **political, market, and communal activities.** In his words, "political action is embedded in a state structure and framed within features such as the acquisition and use of legitimate authority, accountability, hierarchy, and the use of rule-bound power for giving orders and extracting resources. […] Market action is recognized by the contract-based pursuit of acquisitive interests within the framework of legal rules that specify, among other things such as property rights, the universe of items that can be 'for sale,' and which cannot. […] Finally, communal action is defined by a sense of reciprocal obligation among persons who share significant markers of identity and cultural belonging, that is, belonging to the same family, religious group, locality, and so on."[30]

The separation of these three spheres of social action—indeed, a centuries-long development**—is peculiar to Western civilizations**. The fulfillment of the separation is **achieved in liberal democracies**, where not only does the institutional system map the separation of these spheres, but specific regulations and a series of guarantees excluding conflicts of interest regulate the manner in which these spheres interact and diverge. Proceeding from the West towards the East, it can be observed that this separation of the spheres of social action has either not been realized or only rudimentarily. And the

[28] Cf. Armony and Schamis, "Babel in Democratization Studies."

[29] Dobson, *The Dictator's Learning Curve*.

[30] Offe, "Political Corruption," 78.

communist regimes rising to power in 1917 (and after 1945) **not only halted this process where it had begun or been developed, but reversed it.** The framework of totalitarian communist ideology and established order liquidated the independence of the three spheres of social action, private property, the private sphere, and autonomous communities, uniting them in a single neo-archaic form. While this change impacted Central Eastern Europe as a regression, going further East it meant that the process of separation was arrested and frozen.

As a result of the **Western separation** of these three categories of social action, social relations not only within the spheres in question but within the whole political-economic sphere progress in a **fundamentally formalized and impersonal system**.[31] It is this type of system where the presumption of the presence and central importance of a distinct political sphere holds true. But **where the separation of social activities is rudimentary**, or is not in evidence, instead of formalized, impersonal networks, **one typically sees informal and personal relations dominating**. These relations tend to be organized into patron-client patterns of subservience, into patronal networks.[32] Indeed, when scholars of hybridology notice that post-communist autocrats dismantle the separation of branches of power, that is a logical adjustment of formal institutions to patronalism and to the lack of separation of the spheres of social action in general.

The rudimentary or lack of separation of spheres of social action is **the basic reason why post-communist regimes should not be treated automatically as if they were Western.** Indeed, such an analytical viewpoint carries an illusion, a postulate of pastlessness, which disregards the social history of post-communist regimes and presumes that an ideal, Western-type political system of liberal democracy can be raised on any ruins of communism. The assumption is that, irrespective of prevalent value structures, such an undertaking would be merely a question of a propitious historical moment and political will. But the autonomously shifting "tectonic plates" of historically determined value structures do not support just any odd political construction one might want to establish.

Turning to the problem of language, we can now see why **the undifferentiated use of a terminological framework is misleading**. Hybridologists did make great progress on labeling the regimes as a whole, but for the detailed description of post-communist regimes the terms are borrowed from the language of liberal democracies. For instance, if we speak about the actors, the word "politician" implies a distinct political sphere; a politician is a person who pursues political action and goals, namely power and ideology. If there is a merger of social spheres, a person who looks like a politician—such as the formal prime minister of the country—is not limited to political action and most probably takes part in market and communal activities as well—such as in the top position of a patron-client network.[33] Similarly, the word "party" refers to an institution with political goals, operating in a distinct political sphere, not to one where no actual decisions are made and is only the political façade of an informal patronal network, resulting from a merger of spheres.[34]

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[31] North, Wallis, and Weingast, *Violence and Social Orders*.

[32] Hale, *Patronal Politics*.

[33] Magyar, *Post-Communist Mafia State, 40–45, 69–75, and passim.*

[34] Hale, *Patronal Politics*, 61–94.

Examples work in both ways, in the political as well as the other spheres of social action. The notion of "private property" refers to an institution of a distinct sphere of market action. Consequently, it makes little sense to use it when there are no distinct spheres and, for instance, a piece of property that *de jure* belongs to a private actor is *de facto* the property of a public actor, who uses the private actor as his "front man" (subordinated in a patron-client order).[35] This also implies a problem with the scholarly use of official statistics, which collect data by the Western notions of formal property relations.[36] To take another example, the word "corruption" is primarily understood by the world's leading watchdogs as bribery and state capture, both concepts presuming distinct political and economic actors where the latter corrupt the former.[37] In post-communist regimes, "political" actors are indeed patrons on the top of patron-client pyramids. This means top-down, and not bottom-up, corruption patterns. To illustrate the difference, corruption in the West is typically seen as a deviance: a result of wrong or deficient legal frameworks that dishonest administrators and private actors exploit. "Opportunity makes the thief," we may say. In the post-communist region, however, it is the other way around—the thief makes the opportunity, as he modifies, as head of executive, the regulatory framework and uses the means of public authority to accumulate personal wealth for himself and his patron-client network.[38]

As the lack of separation of social spheres is a legacy from the past, it is tempting to use **historical analogies** for regime description. After all, **communism** itself embodied a kind of merger of political and economic spheres, and so did **fascist totalitarian dictatorships** and, before the 20th century, **feudal states** all over Eurasia. Using the "neo-" or "post-" prefix to indicate the difference between current regimes and historical ones, scholars and commentators have spoken about "neo-communism," referring to voluntarism and excessive state intervention in the economy;[39] "neo-fascism," drawing analogies on the basis of xenophobic, anti-Semitic rhetoric or the cult of the leader;[40] or "neo-feudalism," noticing the elimination of social autonomies and the appearance of hierarchical chains of vassalage, containing basically unchecked "lords," "local barons" and vulnerable "servants."[41] However, the main problem with historical analogies is that they are limited in range. In other words, they may be **good metaphors for certain phenomena or dimensions of the system but** cannot cover every dimension in a unified, coherent framework, so **they cannot be used to describe the system as a whole**. Once the focus is moved, the analogies cease to hold. In case of communism, the metaphor might work to statist economic involvement (although post-communism shows a variety of ownership relations as opposed to the monopoly of state ownership), but the character of the ruling elite and its corrupt networks are entirely different, among other things. Feudalism is suitable to spotlight the praxis of power, but

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35 Magyar, *Post-Communist Mafia State*, 88–94.

36 Hanson and Teague, "Russian Political Capitalism and Its Environment."

37 Magyar and Madlovics, "From Petty Corruption to Criminal State."

38 Stefes, *Understanding Post-Soviet Transitions*; Klíma, *Informal Politics in Post-Communist Europe*.

39 Bokros, "Hanyatlás" [Decay].

40 Snyder, *The Road to Unfreedom*; Motyl, "Putin's Russia as a Fascist Political System"; Ungváry, *A láthatatlan valóság* [The invisible reality].

41 Inozemtsev, "Neo-Feudalism Explained"; Heller, "Hungary"; Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*.

in the case of feudal forerunners, the real nature of power and its legal status overlapped in a kind of natural harmony, requiring no illegal mechanisms for alignment as it does in post-communist regimes. A king did not pretend to be president or prime minister; he did not say he had nothing to do with the wealth of his family or barons; nor did he keep his fortune under the name of the stable boy, for he was in no need of economic front men.

The historical analogy of "fascism" points to yet another misunderstanding. While the fascistic or corporativist systems were essentially ideology-driven, among post-communist systems we generally see ideology-applying systems, with rulers characterized by a value-free pragmatism. They assemble the ideological garb suitable to the anatomy of their autocratic nature from an eclectic assortment of ideological frames. In other words, it is not the ideology that shapes the system by which it rules, but the system that shapes the ideology, with huge degrees of freedom and variability. Attempting to explain the driving forces of post-communist rulers from nationalism, religious values or a commitment to state property is as futile an experiment as trying to deduce the nature and operations of the Sicilian mafia from local patriotism, family-centeredness, and Christian devotion.

Up to this point, we have talked about the inadequacy of the existing models and language of political scientists and commentators. However, there have been other social scientists as well, notably economists and sociologists, who attempted to capture post-communist phenomena and introduce new terms to their description. While these developments are usually *ad hoc*, the more systemic ones either focus on the economy and speak about **"rent-seeking," "clientelism," "crony capitalism"** or **"kleptocracy,"**[42] or they follow in the footsteps of Max Weber and use the terms "**patrimonialism," "sultanism," "personal rule,"** and so on.[43] As for the former terms, they reflect fertile perceptual shifts in the explanation of post-communist regimes, but the adjectives used as complex categories provide only a limited understanding due to their presuppositions and underlying subtext. **"Clientelist,"** as an adjective, does not express the illegality of the relationship; the term **"crony,"** in the context of corrupt transactions, assumes parties or partners of equal rank (even if acting in different roles) and implies voluntary transactions—occasional, though repeatable—that can be terminated or continued by either party at their convenience, without one party coercing the other into continuing the relationship. And as for the arrangement connoted by the notion of **"kleptocracy,"** the term does not generally imply an aggressive reorganization of the ownership structure, nor a system based on permanent patron-client relations of subservience.

Weberian terms have a certain appeal for the post-communist region because they were developed for systems where the spheres of social action were not separated. Yet when they are applied, two sorts of problems often arise. First, the lack of genuine conceptual innovation, especially when Weberian terms are simply given a prefix like in case of "neopatrimonialism." Here, the resultant category is not very telling in the sense that it does not tell us what is new in "neo-" patrimonialism, whereas the use of a term which was developed for pre-modern systems carries the risk of becoming a mere historical analogy

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[42] For examples, see Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*; Roniger, "Political Clientelism, Democracy and Market Economy"; Åslund, *Russia's Crony Capitalism*; Dawisha, *Putin's Kleptocracy*.

[43] For a meta-analysis, see Guliyev, "Personal Rule, Neopatrimonialism, and Regime Typologies."

(not unlike the analogies criticized above). The second problem is that these concepts as well as the ones mentioned above are often **not used consistently but in an *ad hoc* manner**, always when the scholar feels them appropriate and illuminating enough for his purposes. Indeed, the terms are often used as synonyms, which blurs the boundaries between them and also brings about conceptual stretching (when a single, homogeneous concept is applied to heterogeneous phenomena).[44] To avoid confusion, mis-comparing and the deceptive implication of similarity of different systems, one must be aware of the exact definitions of his terms and where, at which phenomena or dimensions, one concept should be rejected for another.

To sum up, the imprudence that is widespread in the use of concepts has hindered the apperception of the trap of the language of liberal democracy. Partial solutions have been offered, always renewing the notions at one or two dimensions of regime analysis, but the starting point is still the Western-type polity of separated social spheres. Cursory changes do not step out of the framework as a whole and do not resolve the disharmony between the regime label, referring to a non-democratic polity, and the terminological framework, referring to a liberal democratic polity. Existing solutions do not achieve adjustment to something that is different at its very fundamentals.

The Multi-Dimensional Analytical Framework: Spanning Conceptual Spaces

To break out of the trap of the language of liberal democracy, we have to perform **a systemic renewal of the vocabulary of regime analysis.** What needs to be developed is a new terminological framework, breaking away from the underlying presuppositions and Western bias of hybridology. A new framework should not simply change the words used to label the regimes but also conceptually reestablish its components. It must take into account the rudimentary or lack of separation of the spheres of social action and consequently see phenomena such as patronal networks, informality, the collusion of power and ownership, or centralized forms of corruption as fundamentals, and not side effects, of post-communism.

Furthermore, the new analytical framework should be **multi-dimensional:** it should feature a coherent system of categories, defined in context and covering all the relevant layers (political, economic etc.) of post-communist regimes. The main practical advantage of such holism is that it brings **the end of the necessity of "storytelling**." If a scholar remains within the language of liberal democracy, he can explain specific phenomena of post-communism only through approximations. Indeed, he must tell his readers the "story" of the phenomenon, that is, the specific context and all the components, for which he can use Western terms with specifying adjectives and prefixes only. Instead of such broad circumscriptions, a multi-dimensional analytical framework offers words that immediately imply their context and refer to a special feature, separating the respective phenomenon

[44] Sartori, "Concept Misformation in Comparative Politics."

from "similar" phenomena of other contexts. This not only **makes description easier and more accurate** but also **introduces coherence and conceptual discipline**.

The obvious way to create more specific terms is to move down the "ladder of abstraction," that is, to add further characteristic features to an existing definition, moving it closer to the specific phenomenon we want to describe.[45] But this is not our way. We do not try to create concepts which give a precise description, as that (1) might often be misleading, as post-communist regimes are "moving targets" and change dynamically all the time,[46] (2) would result in too "bulky" or non-parsimonious categories, especially if they want to reflect on the uniqueness of each case they are created for,[47] and (3) would result in concepts that are unable to travel, meaning they would describe some particular cases precisely while becoming imprecise in other countries.[48] Instead, what we provide are so-called **ideal types**, which do not describe actual cases but can be used as **points of reference**. As Weber explains, an ideal type is "no 'hypothesis' but it offers guidance to the construction of hypotheses. It is not a *description* of reality but it aims to give unambiguous means of expression to such a description. […] When we [create an ideal type], we construct the concept […] not as an average of the [phenomena] actually […] observed […]. An ideal type is formed by the one-sided *accentuation* of one or more points of view and by the synthesis of a great many diffuse, discrete, more or less present and occasionally absent *concrete* individual phenomena, which are arranged according to those one-sidedly emphasized viewpoints into a unified *analytical* construct" (emphasis in original).[49]

Indeed, ideal types are imprecise descriptions: they are "pure," utopic depictions of phenomena which do not exist in the real world in their ideal typical perfection.[50] But **using an ideal type,** which tells us how a phenomenon "should" look like theoretically, **we can describe a real world phenomenon in terms of congruence and deviance**. This is what "point of reference" means. We do not have to create a category for the given case—we create a category *around* real world cases, and that category gives a word to identify phenomena that are in its vicinity. This way we do not have to take into account every feature of real world phenomena but only some of the distinctive ones, which are then rendered in a pure and ideal form in a clear-cut, logical construct. The above-mentioned Weberian categories provide examples. To take one, sultanism is described by Weber as "traditional domination [where] an administration and a military force […] are purely personal instruments of the master."[51] Obviously, every ruling elite is highly intricate and in no state are the administration and the military "purely" instruments of the master (head of executive etc.). But this utopic formulation of a logical extreme provides a useful type to describe such real world cases where we can see the *dominance* or great degree of instrumentalization by the master. Such cases can be interpreted as cases of sultanism, whereas one can point out the concrete deviances from the ideal type that can be noticed.

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45 Mair, "Concepts and Concept Formation," 186–92.

46 Bunce and Wolchik, "Mixed Regimes in Postcommunist Eurasia," 5–9.

47 Coppedge, *Democratization and Research Methods*, 14.

48 Sartori, "Concept Misformation in Comparative Politics," 1033–36.

49 Weber, *The Methodology of the Social Sciences*, 90.

50 Weber, *The Methodology of the Social Sciences*, 90.

51 Weber, *Economy and Society*, 231.

In case we have **two** such **ideal types**, we can **extend a conceptual continuum**, which is nothing more than a continuous scale between the two polar types on which intermediate phenomena can be positioned. Indeed, the above-mentioned democracy-autocracy-dictatorship axis of Kornai was a two-part conceptual continuum: every regime could be expressed in terms of differences from the ideal types and put on a continuous scale, extended between democracy and autocracy or autocracy and dictatorship, accordingly.

With **more than two ideal types**, we can define a group on the basis of a larger class concept or umbrella term they all belong to (such as "political regimes" or "economic actors"). And with such a group, we can **span a conceptual space**, where phenomena can be understood with respect to more than two ideal types. The advantage of a conceptual space is precisely this: one is not limited to the single dimension one or two ideal types refer to but can place existing phenomena along more than one continuum.

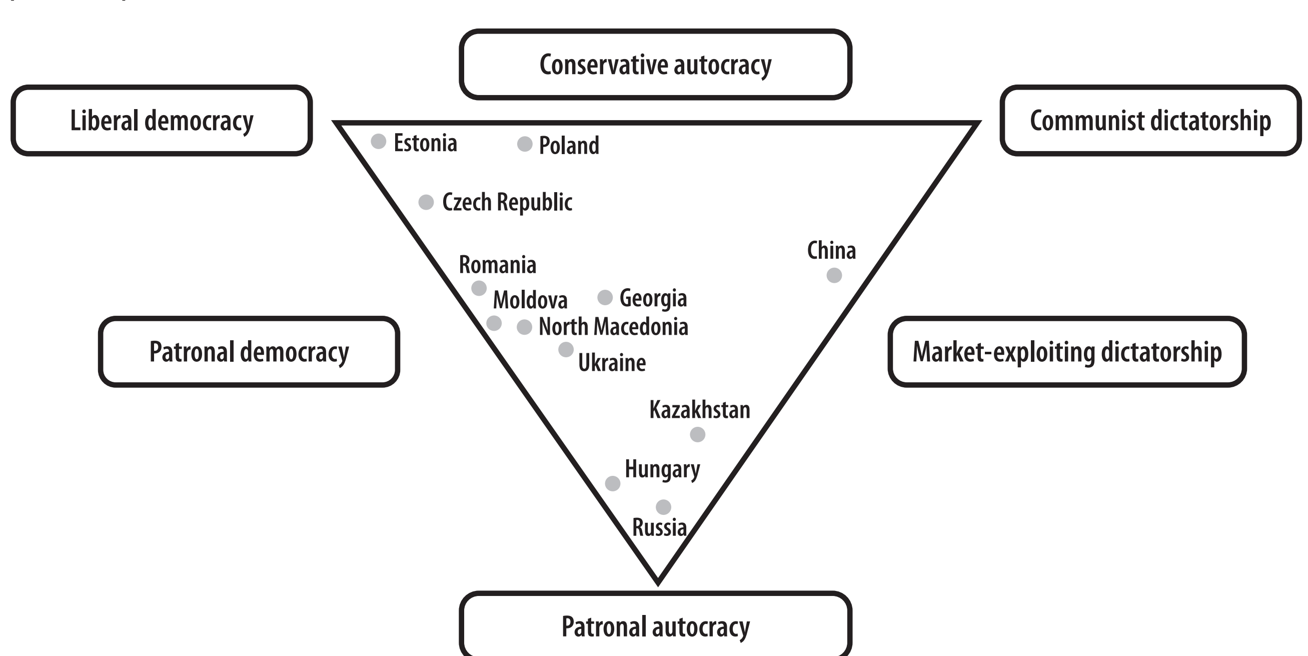
To illustrate the previous paragraphs, **Figure I.3 shows our main conceptual space—the one spanned for post-communist regimes**. It is defined by **six ideal type regimes**, including three polar types and three intermediate types. The polar types—liberal democracy, communist dictatorship, and patronal autocracy—extend conceptual continua, the three sides of a triangle. These sides are not axes of a diagram; they do not depict the potential values of a particular (quantitative) variable. Indeed, they are continua between certain concepts, which are defined by a bundle of variables.[52] **The top side**, or the continuum between liberal democracy and communist dictatorship **should be seen as the democracy-dictatorship axis** (or, more precisely, Kornai's democracy-autocracy-dictatorship axis). However, realizing that the presumption of hybridology that the center of a polity is a distinct political sphere does not necessarily hold, **we integrate further dimensions by expanding the axis into a triangular space**. To give just one example, the three regime types on the top side are characterized by the supremacy of formal rules over informal impacts. But the lower we go in the triangle, the more we approach patronal autocracy and the supremacy of informal rules over formal impacts. In such a system, primarily informal networks take over formal institutions, operating them as façades for the accumulation of power as well as personal wealth.

At this point, we cannot give precise definitions of the six ideal types—that will be the subject of the book. Indeed, the book can be seen as an elaboration of the ideal typical anatomy of these regimes, that is, the nature of operation that is typical to these regimes, as well as the differences they exhibit in comparison to each other. But to give an idea of what kind of regimes the ideal types connote, we included twelve post-communist countries in Figure I.3. The reason we focus on them, and on the post-communist region in general, is that they all were near the upper right pole (communist dictatorship) when the Soviet empire collapsed. In other words, they started from the same "square one:" they were all characterized (1) by the dictatorship of a single-party state and (2) by the monopoly of state ownership, which were the key factors in the rudimentary or lack of separation of spheres of social action in the region. As we show in Chapter 7, each of these countries went through a specific trajectory since the regime change, whereas the empirical development of different regimes, or the changes of the "moving targets," will be illustrated by movement from one point to another in the triangular space.

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[52] What exactly these variables are, and how they are depicted by single sides, is going to be explained in Chapter 7.

Figure I.3. The conceptual space of regimes, with six ideal types and twelve post-communist examples (as of 2019).





While we feature six ideal types, eight out of twelve countries in Figure I.3 are either in the patronal-democracy cluster (Georgia, North Macedonia, Moldova, Romania, Ukraine) or in the patronal-autocracy cluster (Hungary, Russia, Kazakhstan). This raises the question of usefulness of our regime types. Is it a meaningful framework where, for instance, Hungary and Russia are put so close to each other? True, we do not claim these regimes perfectly fit the ideal type, nor that they are equally close to it. But the two countries are still, apparently, vastly different. Russia is a multiethnic, multilingual nation more than 180 times bigger and 140 times more populous than Hungary. Russia is rich in natural resources—Hungary is not. Hungary is an EU-member state with low levels of violence, and the two countries have a largely different place in the world's system of geopolitics, too. The list could go on. However, when it comes to comparative analysis, **it is crucial to distinguish regime-specific and country-specific features**. The triangular framework, as well as the definition of the ideal type regimes, is based on **regime-specific features like pluralism of power networks, normativity of state regulations, the dominant type of ownership, and formality of institutions**. These features can be seen as regime-specific because they regard the regime, that is, the institutionalized set of fundamental rules structuring the interaction in the political power center (horizontal relation) and its relation with the broader society (vertical relation).[53] In other words, regime-specific features regard the fundamental, endogenous elements of the system that define it as well as its internal logic. In contrast, **ethnic cleavages, country size, natural resources and the position in international political and economic system are country-specific features**, which provide the exogenous environment in which the given regime operates. Naturally, there are connections

[53] Skaaning, "Political Regimes and Their Changes."

between country-specific and regime-specific features, for certain country-specific features (1) influence the sustainability of regimes and (2) might create local peculiarities of certain regime-specific features. We will mention such instances throughout the book, like when it comes to the description of the main decision-making body of patronal autocracies (the patron's court). But keeping the two sets of features analytically distinct is fundamental to realize similarities, as well as genuine differences, between certain regimes and countries. Going back to our example, we claim **there is no bigger difference between Putin's Russia and Orbán's Hungary in 2019 than the difference was between Brezhnev's Soviet Union and Kádár's Hungary before 1989**. While two different countries, the regimes of the latter pair could be described by the framework of communist dictatorship, whereas the former pair, by the framework of patronal autocracy.

Most of the book is concerned with regime-specific features, or the anatomy of post-communist regimes, but we will elaborate on country-specific features as well in Chapter 7. While the same chapter is also going to provide some information about the development of the countries presented in the triangular framework, when conceptualizing the various features, actors and phenomena we will use empirical cases only as illustrations. **By genre, this book may be best defined as a conceptual "toolkit:" an organized set of clear-cut categories**, which can be utilized as "tools" for the description and analysis of existing social phenomena in the post-communist region. Accordingly, the book contains many definitions and related explanations in a textbook-like fashion, following strict logical order and including many tables and figures to make the explanation of the concepts and related processes as perspicuous as possible. At the same time, empirical storytelling will be reduced to a minimum; only to the extent individual cases may help illustrate ideal types, or rather the phenomena we create the ideal types for.

Another metaphor to explain what we want to do in this book is the Mendeleev Periodic Table of chemical elements. The periodic table does not tell us where to find the elements, nor how much of each element can be found in the world. Hydrogen constitutes one cell in the table just like astatine, the rarest naturally occurring element in the Earth's crust. Yet the periodic table is useful because it shows what kind of elements exist, what those elements are like (atomic weight, element category etc.), and the strict logical order the table puts the elements in guarantees that the cataloguing is not *ad hoc* but focuses on the relevant phenomena that constitute a coherent whole.

By our intention, the book is precisely analogous to the Mendeleev table in these features. We do not claim to tell the reader which definition we provide has exactly how much empirical significance in the post-communist region (or elsewhere). We only claim that the phenomena we speak about exist and they are like the way we capture them, and we will cite a large number of empirical studies to corroborate this claim. We will also rely on the literature in identifying existing phenomena we need to create ideal types for. At the same time, the strict logical order we put our categories in guarantees that the cataloguing is not *ad hoc* but focuses on the relevant phenomena that constitute a coherent whole. Just like in the Mendeleev table, the basic logic of construction, that for each definition we need to consider every other element of the framework to make it coherent, provides a guideline, or rather a straightjacket that forces us to treat each phenomenon in its proper place. This also makes our definitions, as well as our decisions to focus on certain aspects and not others while creating ideal types, less arbitrary: every definition must fit into the framework consistently,

meaning it must not contradict any other claim or definition we make. This disciplining effect is further reinforced by the holistic nature of the framework, for every ideal type must conform to a larger, more complex set of other ideal types covering every sphere of social action.

Yet our framework differs from the periodic table in its ambition: it does not set out to provide concepts for the known world, only for the post-communist region. Particularly, we will be focusing on the area from Central Europe to East Asia, or from Hungary to China.[54] In Chapter 1, we will elaborate on the specificities of this region with the help of a number of well-established empirical claims about civilizational boundaries, the separation of spheres of social action, and the phenomena that follow from it. This will, then, define what phenomena we must focus on when we describe the anatomy of post-communist regimes—the argument of Chapter 1 will provide the general frame we must "fill up," with every element defined and ordered to produce a coherent whole.

In the end, what we do is somewhere between hypotheses and a definitive reading of post-communist regimes. Personally, we are convinced that scholars dominantly disagree not in what these regimes substantively are but in what framework the established facts should be captured, and most debates stem from terminological confusion rather than opposing data. But skeptics are invited to read this book as a multi-level research proposal, while the concepts we offer may be used for more precise data collection, doing away with latent presumptions of Western-type regimes that simply do not hold in the post-communist region. Indeed, our goal is both modest and ambitious: it is modest because we do not claim to provide a description, rather a set of unambiguous means of expression to such a description; but it is also quite ambitious, for we aim at providing a toolkit that can be used for a variety of social phenomena of interest of political scientists, economists and sociologists in the post-communist region.

Naturally, despite our best efforts, there will surely be concepts we define imprudently or post-communist phenomena that happen to fall outside the conceptual spaces spanned by our ideal types. We expect our book to be provocative—and scholars' interest to be piqued.

How It Is Made: The Construction of a Conceptual Toolkit

Our method of constructing the conceptual framework for the anatomy of post-communist regimes can be divided into **three consecutive parts**. First, we need to perform **category selection**, by which we decide which concepts should be put in our toolkit and which ones should not. Beyond such usual criteria as familiarity and parsimony,[55] the main selection criteria we used were **(1) empirical relevance and (2) intra-framework coherence**. As for the former, we wanted to include concepts for every social phenomenon relevant to the workings of post-communist regimes, whereas the ones that have no

[54] While usually not part of post-communist studies, China is included because it indeed is post-communist (i.e., not communist anymore; for a recent take on Chinese post-communism, see Szelényi and Mihályi, *Varieties of Post-Communist Capitalism*). China also constitutes a paradigmatic case of one of our ideal type regimes, the market-exploiting dictatorship (see Chapters 5 and 7).

[55] Gerring, "What Makes a Concept Good?"

relevance in the region were sorted out. For example, hybridologists describe so-called "tutelary regimes" where "the power of elected governments is constrained by nonelected religious (e.g., Iran), military (e.g., Guatemala and Pakistan) or monarchic (e.g., Nepal in the 1990s) authorities,"[56] but such regimes can be found only outside the post-communist region so there is no reference to them in our toolkit.

Intra-framework coherence refers to the fact that **no existing category is innocent**: they have a past, a history of how they have been used, and accordingly, even if they are not used in their original context, they have a set of implicit, underlying assumptions that define the category indirectly. A good example would be the term "the ruling class." The original context of this category can be seen if we consider it describes the rulers as a "class," a fundamentally economic phenomenon both in Marxian and Weberian class theory.[57] Using the word "class" immediately situates the scholar in the context of this tradition and implies the acceptance of a vast array of assumptions of class theory, starting from the aforementioned economic nature through class-consciousness to the fact of class struggle.[58] Therefore, if we are to construct a coherent analytical framework, a concept like the "ruling class" could be included only if the other concepts did not contradict these assumptions—that is, in case of intra-framework coherence. Accordingly, for every phenomenon we found relevant to the workings of post-communist regimes we reject concepts and related theories which do not harmonize with the rest of the toolkit, and we describe these phenomena by concepts and theories which build further a single, coherent conceptual edifice.

After category selection, the second step is **category defining**. On the one hand, if we reject existing concepts for a certain phenomenon and there is no other concept in use that would fit into the toolkit, we **create new categories**. For example, for post-communist ruling elites we reject the notion of "ruling class" and find other concepts less than adequate, too, therefore we coin the term "adopted political family" (for a specific form of ruling elite in the region). On the other hand, as far as the selected concepts are concerned, we choose one of the following three strategies of adoption:

1. **full adoption**, which means we accept the concept as it is, with its current meaning and definition;
2. **restricted adoption**, which means we accept the concept but limit its definition to a narrower range of cases than it has been used for;
3. **extended adoption**, which means we accept the concept but expand its definition to include a wider range of cases, so we can define subtypes of the concept.

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[56] Levitsky and Way, *Competitive Authoritarianism*, 14.

[57] Pakulski and Waters, "The Reshaping and Dissolution of Social Class in Advanced Society."

[58] Alternatively, one could keep using the term while making it clear which of these assumptions he does not agree with (see, for example, Sørensen, "Toward a Sounder Basis for Class Analysis"). Yet if there are too many assumptions one would need to reject, the benefits of introducing a different category with no such past and underlying assumptions become apparent. Hence, we follow this strategy with such categories as "the ruling class" (see Part 3.6.1.1).

For full adoption, an example would be "party state," which is a widely used term for the type of state in communist dictatorships. For restricted adoption, an example would be "cronyism." As we mentioned above, the underlying assumption of this category is that the parties involved are friends, that is, parties of equal rank who entered the relation voluntarily (free entry) and could end the relationship at will (free exit). Such cases exist in the post-communist region so we do include cronyism in our toolkit. But we make its implicit assumptions explicit, and make it clear that it refers, in our understanding, only to such cases of voluntary corruption. Finally, for extended adoption we can mention "redistribution" in the Polanyian sense.[59] Polanyi used this term only for the redistribution of goods or resources in an economy. We understand this as a subtype of redistribution, and extend the definition of redistribution to include another type we call "relational market-redistribution" (referring to the distribution of markets rather than resources).

The final step in constructing the toolkit is **category contextualization**. Indeed, we already define categories in a way that they imply their context. This step, however, is about making the context or the connection between the categories explicit and clear. This is to show why concepts like cronyism and kleptocracy cannot be used as synonyms: each has its own meaning, put in a logical order vis-à-vis the other categories and their meaning. One can imagine the resultant context as a graph, where the vertices are the concepts (categories) and the edges are the logical connections between them. All vertices are carefully delimited from each other in their definitions and the logical connection between them—whether one is a subtype of the other, the subsequent category on the same scale etc.—should make a description using these categories unambiguous.

Indeed, careful delimitation of concepts is what we had in mind already at the previous step, when referring to restricted adoption. There, we try to show which phenomena they refer the most lucidly to and limit them to the description of those phenomena only, isolating them from other connotations they get in the literature. In terms of the toolkit metaphor: If we find a good screwdriver, we will put it in our toolkit, but we will not use it as a hammer—not even if it had been used that way more or less successfully. And having both well-ordered "screwdrivers" and "hammers" in our conceptual toolkit, internal linguistic coherence is created in the new terminological framework.

How to Look at It: The Framework as a Structural Construction

Above, we used two metaphors to capture **our intention** with this book. First, we say **the book is a "toolkit,"** which refers to the characteristic feature that we do not provide a description but rather the tools to make a description. Second, we say the book is **a "Mendeleev table,"** expressing that our conceptual framework constitutes a strict logical order, with every existing and relevant phenomena ordered coherently but without telling how many of each element can be found in certain countries or regions. We may add to this now that we will use empirical cases only as illustrations in most of the book, and therefore

[59] Polanyi, "The Economy as Instituted Process."

even if one disagrees with us and argues that a case cannot be described by the concept we associate it with, that does not rule out the concept *per se*. The soundness of the categories and the coherence of the framework on the one hand and their empirical relevance on the other hand are two separate issues. All we claim is that (1) we provide unambiguous means of expression for (2) phenomena that do appear in the post-communist region. Based on existing data, we will make a few claims about where (in which countries) these phenomena are prevalent, but their exact scope in quantitative terms is the subject of future empirical research.

Now we may introduce a third metaphor we only hinted at above: **this book also constitutes a new "language."** When we say "language," we mean not simply a set of words. Rather, we mean **a structural construction: a set of concepts ordered along a large number of theories** covering politics, economy and society and adding up to a logically coherent whole. Several features follow from this, revealing further points about our purpose and position, as well as the specificities of the conceptual framework. First, being a language with internal coherence, **the framework is value-free but it is not tradition-free**. Its concepts can be used to identify phenomena one wants to make ethical judgments about, but the concepts per se are neither supportive nor condemning. This book contains a positive description of what ideal type regimes are, not a normative prescription of what they ought to be.[60] True, several concepts we offer—like "liberal democracy" and "mafia state"—are frequently used with normative content, but the way we present them serves the sole purpose of providing unambiguous means of expression for the region's phenomena. Whether these phenomena are good or bad is not a concern of our book. Yet the framework is not tradition-free: there are certain schools of social science we build on, believing they are the most fruitful to organize the large number of phenomena we deal with in a comprehensive analytical frame. These schools include Weberian sociology, particularly its starting point that it concerns itself with the interpretive understanding of social action,[61] as well as institutionalism and neo-institutionalism.[62] Yet we do not understand this in an exclusive manner, and we adopt concepts from other schools of social science, too, as well as from scholars from the left—like Iván Szelényi and Karl Polanyi—and the right—like Randall G. Holcombe and F. A. Hayek—whenever we find a particular concept or idea of theirs useful and illuminating in the study of post-communism.

Second, **the language we offer consists of ideal types as well as various subsidiary concepts.** In our book, we create ideal types for post-communist regimes as well as most of the actors and institutions. However, to render their workings and actions intelligible, we will also have to make it clear what we mean by terms like "coercion" and also define such concrete phenomena as "sphere of political action" or "state intervention." These categories are not ideal types in the Weberian sense but they are subsidiary concepts, meaning we will have to define them to be able to define ideal types.[63] In addition, when we use the ideal

[60] Cf. Kornai, *The Socialist System*, 12–15.

[61] Weber, *Economy and Society*, 4.

[62] For an overview, see Peters, *Institutional Theory in Political Science*.

[63] Indeed, some of the subsidiary concepts can be understood as classificatory types, which are discrete categories that cover entire conceptual continua instead of being just the endpoints of them. See Collier, Laporte, and Seawright, "Typologies," 161–62.

types or give examples for them, they should always be understood as approximations. For example, treating Russia as well as Hungary as examples of patronal autocracy we do not imply these countries fit the ideal types perfectly, nor that they are equally close to it. Rather, we approximate these regimes with the category of patronal autocracy because dominantly, in most of their features they are close to that regime type. More precise pinpointing might differentiate Russia as a "hard patronal autocracy" and Hungary as a "soft patronal autocracy," or one can also add a privative suffix to patronal autocracy to express the exact nature of deviance from the ideal type. Yet we will ignore, for most of the book, such subtle differences for the sake of simplicity and clarity of language building.

Third, **the concepts of the book work best when they are used as part of the language**. The concepts are refined to the multi-dimensional framework: in the previous part, we explained in what way we select, create, and adopt concepts and contextualize them to build a coherent set of categories. As a result of this process, our definitions are formulated in a way to imply their context and harmonize with the rest of the toolkit, constituting a language. Therefore, if one wants to use one of our concepts, then accepting the context, that is, our entire analytical framework is the best way to do so. Taking a single concept out and using it in a different context might not provide as appropriate results as if the framework was used as a whole. For instance, the way we define "unfair election" makes most sense when it is contrasted with our definition of "manipulated election," or the way we define "rent" makes most sense when the context we use it in is taken into account.

Fourth, **the language is not closed but expandable**, just as new words can be adopted in our spoken language to describe new phenomena for which we had no words before. Concretely, the book is about the post-communist region and the political, economic and social phenomena relevant in the respective countries and regimes. But this does not mean the toolkit either (a) contains concepts only for post-communist regimes, (b) the concepts can be used only in the post-communist region, or (c) the toolkit cannot be expanded with new ideal types from different regions and countries. As for (a), the toolkit includes many terms for phenomena specific to Western-type polities and communist systems, too, for those concepts are the ones which we primarily want to delimit the specific notions of post-communism from. As for (b), we will make several suggestions about the applicability of our concepts outside the post-communist region in the Conclusion. Finally, (c) means that the toolkit should be treated as an edifice that can be built further, that is, expanded by new ideal types of other regions. The point is that one should always keep intra-framework coherence in mind: every new ideal type should be contrasted to the existing categories and integrated into the internal logic of the toolkit's terminological framework (or maybe some old definitions should be refined so the toolkit can accommodate a wider range of categories).

How to Read It: A Textbook with Original Contributions

The format of this book is unconventional in the academic world in many respects. First, the book is written with an encyclopedic aim of providing a detailed defining "dictionary" of categories and theories of the post-communist region, but it does not tell us their exact empirical relevance. Our role models in this respect are two: Max Weber's treatise *Economy*

and Society, which provides an overarching, coherent conceptual framework of ideal type concepts; and János Kornai's textbook *The Socialist System*, which provides a systematic and highly structured description of political economy. We may mention Henry Hale's *Patronal Politics* at this point, too, which has been a deep inspiration for the book's perspective and finer points. Indeed, content-wise the aforementioned works—also systematizer in kind—are probably the three most often cited sources in the book.

Second, the book will be practically devoid of detailed literature reviews. Our aim is to construct a coherent conceptual framework and present it as such. When some building blocks are provided by other scholars and/or underpinned by their findings, we will cite them and integrate their ideas into our work. Moreover, when a piece includes a particularly important idea, we will not try to rephrase it but place a block quote from the scholar in a separate box along the text. But there will be only a few parts where we explain exactly why we do not subscribe to some fundamentally different approaches (like ruling class theory or neoclassical economics). Indeed, we will not omit much—a large part of the facts and theories we build our ideal types on are widely accepted, especially in the Eurasian literature on post-communism. Our most important contribution, we believe, is precisely to synthesize this literature in a uniform and coherent language of ideal types, therefore exploiting the synergies between research fields and also recognizing and filling in some gaps in the literature. But this typically requires *using* the findings of the literature as building blocks, not introducing them and the academic context in separate literature reviews.

As another kind of building block, much of our former works and publications are incorporated without specific references in the text.[64] In case we do refer to one of our own pieces that indicates at that point we do not want to elaborate on something, such as an empirical case, we have explained or analyzed in detail elsewhere. (It needs to be noted in connection to our earlier works that, as we were developing the toolkit, we revised and changed several definitions we had given before. In every case, the reader should treat this book as definitive.) In addition, **we rely heavily on research we have conducted since 2013, yielding numerous volumes of studies** with over seventy authors. We will often cite these studies and also quote from them, especially the ones in the two English-language volumes published by the Central European University Press: *Twenty-Five Sides of a Post-Communist Mafia State* (2017; the most quoted authors will be Zoltán Fleck, György Gábor, Dávid Jancsics, Éva Várhegyi, Imre Vörös) and *Stubborn Structures: Reconceptualizing Post-Communist Regimes* (2019; the most quoted authors will be Sarah Chayes, Nikolai Petrov, Mikhail Minakov, Dumitru Minzarari, Kálmán Mizsei).

Third, perhaps a minor detail, but it is important to mention that the book consistently uses "he" for the third person singular. Although we create an analytical framework where the actors' gender does not play an ideal typical role, we decided to use "he" to high-

[64] The works we used include Magyar, *Post-Communist Mafia State*; Magyar, "Towards a Terminology for Post-Communist Regimes"; Magyar, "Parallel System Narratives"; Madlovics, "The Epistemology of Comparative Regime Theory"; Madlovics, "A maffiaállam paravánjai"; Magyar and Madlovics, "Stubborn Structures"; Magyar and Madlovics, "From Petty Corruption to Criminal State"; Madlovics and Magyar, "Post-Communist Predation." It must be noted that no chapter or sub-chapter of this book is identical to these former publications. The wording has been changed and new content and context have been added, and the text has been completely re-ordered according to a new structure. This is the main reason we give no specific references, as they would soon make the text awkward for the reader.

light that, in post-communist regimes, the vast majority of leaders and important political and economic actors have been male.[65] We shall use "she" as a generic only when we refer to an actual woman (or if a quoted text contains "she").

A fourth unconventionality of our framework is the high number of tables and figures, summarizing practically the entire content of the book. Chapters 2–6 begin with tripartite tables, three-columned summaries of the toolkit's respective categories with each column representing a polar type from the six ideal type regimes of our triangular framework. The aim of these tables in the beginning is to provide a guide to the chapter, to give the reader an initial idea what he can expect to read about in those pages. But many subchapters or parts are going to be summarized in tables or figures, too, just as the typologies we provide for some specific phenomena (like oligarchs, party systems etc.). In addition, to help see the coherence of the entire framework, the text will contain "links" between the chapters: for example, if we are in the third chapter but refer to something we will elaborate on in the fifth one, we will put a "[→ 5]" link sign in the text.

The final unconventionality is the constant use of **highlighting in bold** as well as bullet points, resembling an actual textbook rather than a distinct contribution to the literature. Indeed, although we intend to contribute many conceptual innovations to the research of post-communism, our purpose is to offer a work that will actually be used for teaching as well as research. Therefore—and this is the essence of the fourth and fifth unconventionalities—we tried to make the book as user-friendly as possible. Highlighting facilitates skimming, that is, to get the main message of the book fast without meticulous reading, and it helps refresh the main points after reading the text as well. **The reader is free to go through the highlights, bullet points, tables and figures as if he was climbing the rungs of a ladder: he may miss some details but still take the most important steps, allowing him to comprehend the toolkit quickly** and use the tools for his work, articles and research.

How It Unfolds: Outline of the Content

The book contains **seven chapters**, framed by this Introduction and a Conclusion. **Chapter 1 provides the stubborn-structures argument**, the starting point of which has already been presented above—the rudimentary or lack of separation of spheres of social action. Structuring the argument in four steps, we will use civilizational theory as well as a number of historical and scholarly/analytical sources to reconstruct the development of the region from pre-communist times through communism to the post-communist era. Identifying the basic societal and rulership structures that follow from the lack of separation, we can delineate the dimensions we need to cover and renew the descriptive language in the multi-dimensional analytical framework.

[65] For quantitative data in Russian political and economic life, see Johnson and Novitskaya, "Gender and Politics"; Braguinsky, "Postcommunist Oligarchs in Russia." Similar numbers and underrepresentation of women has been typical in other post-communist states, too. However, see also Funk and Mueller, *Gender Politics and Post-Communism*.

Using the foundation provided by the stubborn-structures argument, we can start developing the conceptual framework. **Chapter 2** is devoted to **the state**. Besides defining the basic concepts of the toolkit like "state," "coercion," "informality" and "patronalism," this chapter also explains why concepts like "welfare state" and "developmental state" can be misleading when we approach post-communist regimes. We also show how more fruitful concepts like "neopatrimonial state" and "predatory state" can be put in a logical order as part of a single analytical framework, where neither of these concepts are rejected but it is specified exactly which aspect of the state they refer to. Combining state types, we will offer a definition of "mafia state," as well as a comparison with the "constitutional state" of liberal democracies. Having defined stable states, we go on to challenges to the monopoly of violence, introducing concepts like failed state, violent entrepreneurs and oligarchic anarchy. The chapter closes with a comparative framework of state types, introducing the concepts of invisible-, helping- and grabbing-hand to distinguish some of the region's most important types of state.

Chapters 3–6 are devoted to the regime-specific features of the six ideal type regimes, as opposed to certain country-specific features (like country size, ethnic cleavages, international embeddedness, and so on—these are going to be discussed in Chapter 7). **Chapter 3** deals with the **comparative conceptualization of actors** of the political, economic and communal spheres. We start with a more precise and formal description of the three spheres of social action, after which several parts are devoted to ideal typical political, economic, and societal actors and their specific roles in liberal democracy, patronal autocracy, and communist dictatorships. The chapter also involves a separate part for the post-communist ruling elite of colluding spheres, the adopted political family, and it concludes with a schematic depiction of elite structures in the six ideal type regimes (with examples).

In **Chapter 4**, we provide **comparative conceptualization of political phenomena**. We start with describing three ideological frameworks of civil legitimacy, used by 1–1 polar type regimes: constitutionalism (liberal democracy), populism (patronal autocracy), and Marxism-Leninism (communist dictatorship). The chapter then follows the structure of the democratic process of public deliberation and shows how the institutions related to its phases work in each polar type regime. This description will include phenomena like the media, demonstrations, elections, legal systems and law enforcement. In the rest of the chapter, we focus on the so-called defensive mechanisms that keep the ideal type regimes stable. We will present liberal democracies with the separation of branches of power; patronal democracies with the separation of networks of power; and patronal autocracies with the separation of resources of power. Also in this part, we explain color revolutions as specific mechanisms in patronal regimes, and strategies of reversing autocratic change will be discussed.

Chapter 5 contains **the comparative conceptualization of economic phenomena**, and it is not only the longest but also probably the richest of all chapters. We introduce relational economics as a challenge to the mainstream, and use its insights for four main areas: (1) corruption, (2) state intervention, (3) ownership, and (4) comparative economic systems. In (1), we distinguish lobbying from corruption and offer a novel corruption typology that provides several aspects for analyzing corruption and also when different types of illegality coexist in a so-called criminal ecosystem. In (2), we provide a general frame-

work to differentiate normative and discretional state intervention, linked to various levels of corruption. Then, we move on to analyzing regulatory intervention and rent-seeking, on the one hand, and budgetary intervention and the functions of taxation and spending, on the other. In (3), we distinguish three historical processes of political reorganization of ownership structure, and provide an analytical framework for privatization and another one for patronalization. As for the latter, we elaborate on property rights and economic predation, and offer a novel economic framework to analyze distinct processes of reiderstvo and centrally-led corporate raiding (as in patronal autocracies). Finally, in (4) the chapter provides a contribution to the literature on comparative economic systems, and describes the dominant and the subordinate economic mechanisms of market economies, planned economies, and relational economies. The concept of "crony capitalism" and why it is inapplicable to countries like Russia and Hungary is also discussed.

Chapter 6 covers **comparative conceptualization of social phenomena**, with a specific focus on how the regime influences these processes and how it can convince the majority to support it. Using approaches from network science, we offer the concept of "clientage society" in an attempt to conceptualize the emergence and mechanisms of action of patronal dependencies in elite as well as social networks. The second half of the chapter is devoted to the description of ideologies: (1) what is the difference is between patronal populists and (extreme) right-wing politicians; (2) what are ideology-neutral, ideology-driven and ideology-applying regimes; and (3) how ideology-applying works. We devote separate sections to the concepts of value and functionality coherence, as well as to the demand and the supply side of populism. At the end of the chapter, we provide two summaries: one summary of populism as an ideological instrument of collective egoism, and one that summarizes some of the most important regime-specific features of patronal autocracy through a structured overview of modalities of informal governance.

Having defined the regime-specific, "anatomical" parts of post-communist systems, we can at last **define the six ideal type regimes** themselves in **Chapter 7**. It will be this part where we explain how the triangular framework can be used to describe regimes, both in one given position (time) and their trajectories. The chapter also involves the **modelled trajectories of twelve post-communist countries**, the same countries that have been shown in the triangular framework above (Figure I.3). We present the countries' movement (1) visually, using the triangular framework and describing from where to where the countries moved with respect to the six ideal type regimes, and (2) textually, meaning the presentation of the developments of these countries in "illustrative sketches." These small case studies heavily rely on existing publications, which we organize and re-interpret for the purposes of illustrating ideal-type trajectories. Chapter 7 ends with a discussion of what we have mostly left out from earlier chapters: the **country-specific features** of regimes, that is, the geographical, geopolitical and social (ethnic etc.) conditions from which variances in regime character between countries stem. We will also discuss the concept of **policy-specific feature**, and offer an alternative analytical paradigm for its analysis in patronal regimes.

In the end, the book closes with a **Conclusion** that summarizes some of the main points of the book. We also attempt to provide some suggestions for future research, discussing the possibilities of expanding our conceptual framework spatially—for other regions—and temporally—for future times.

1. Stubborn Structures



1.1. Guide to the Chapter

The formula for regime change following the collapse of the Eurasian communist regimes in 1989–1990 seemed clear: **to take the step from one-party communist dictatorship with a state monopoly on property to a multi-party parliamentary democracy based on private property ownership and a market economy**. The fact that **this idea failed in several post-communist countries**, producing *sui generis* regime types without further movement toward the liberal democratic ideal, necessitates a renewal of the language tools used to describe the regimes' components. But how deep this language reform should go or what components should be re-conceptualized and removed from the context of Western-type polities depends on how we explain the transitions' foundering. The more systemic and structural we think the causes are, the deeper renewal is needed. Moreover, an argument about the reason of the peculiar post-communist regime development necessarily points to certain **triggering phenomena**, which are the starting points of re-conceptualization and the identification of fundamentally different phenomena.

In our view, the phenomena defining the development of the post-communist region **can be summarized by the term "stubborn structures**," referring to rather fundamental causes that call for a deep renewal of the terminological framework.[1] Stubborn structures are a combination of culture and history. We argue societies before communism represented different degrees of separation of the spheres of social action, following the civilization they belonged to ("civilization" as understood in the works of Peter J. Katzenstein). The resultant social structure, cultural traits and way of life were later subjugated to communist systems, forming a kind of unifying "political lid" which was placed upon the different peoples. Under this lid, previous social development was arrested and frozen, due to the violent intervention of dictatorial states. However, the decades under communist dictatorship also transformed existing social patterns and developed new ones, resulting in a specific arrangement of sociological structures. When the Soviet Union collapsed, what happened in democratizing countries was that only the political system and the formal institutional setting changed, while the actors who populated these institutions reverted their original understanding of the separation of spheres. As a result, formal institutions have been subverted and managed by informal procedures, including the imposition of informal institutions such as adopted political families (patronal networks, political-economic clans [→ 2.2.2.2, 3.6]). These features defined regime type and regime dynamics in the years after the transition from communism, to a different degree in countries of different civilizations and with occasional attempts at path creation.

"Path creation," as an opposite of path dependence, indicates that **stubbornness does not mean determinism, rather the assignment of certain (higher) probabilities**

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[1] Hence the title of Magyar, *Stubborn Structures*.

to the different developmental outcomes. Indeed, after the collapse of the Eastern Bloc, the countries that had been under communist rule have shown a variety of development paths, ranging from countries that remained under dictatorship to countries that successfully democratized—not to mention the countries that developed the above-mentioned *sui generis* regimes. In general, we speak about "path dependence" when a society produces a regime that harmonizes with its cultural deep structures (i.e., its dominant understanding of the separation of spheres), whereas "path creation" refers to defying expectations by producing a regime that steps out of the society's civilizational framework. However, even in such cases, as well as in countries that developed liberal democracies, the past has shined through the newly built political systems almost invariably, and patterns of development are clearly visible along the lines of the structures we identify.

The chapter is divided into five parts. Parts 1.2–5 explain the stubborn-structures argument, formalized as a series of four theses. Thesis A is a general claim about the interrelation between the separation of spheres of social action and possible regime types, laying the groundwork for the next three theses that focus on this aspect in relation to the evolution of post-communist regimes. Thesis B focuses on pre-communist times and argues that the separation of spheres followed civilizational boundaries. While we use the notion of "civilizational boundaries" as Huntington did, we take into account various criticism toward his approach and adopt a more valid understanding of "civilization," based on Katzenstein's works. Thesis C is concerned with the communist system, constituting violent intervention that arrested and reversed the separation of spheres of social action. Finally, Thesis D argues that democratization did not change the separation of spheres but constituted a single-level transformation, resulting in the systemic distortion of the democratic institutional setup of the new post-communist countries.

After outlining the stubborn-structures argument, Part 1.6 builds on its conclusions and introduces six ideal type regimes in the triangular conceptual space that was shown in Figure I.3 [→ *Introduction*]. The triangular space incorporates the insight of stubborn structures into the mainstream hybridology approach, and it will provide the general basis for the conceptual toolkit, which comprises the rest of the book. However, before we begin, an important caveat must be made: **every definition we give in this chapter for the presented phenomena should be seen as preliminary**. In the toolkit, every concept's definition will be given in context, that is, explicitly delimited from other, similar concepts, the definitions of which will also be given in order to make delimitation absolutely clear. Such painstaking conceptualization would overstretch this chapter, spoiling the big picture that the stubborn-structures argument aims at giving. Therefore, the phenomena we deal with will be defined here only to the purposes of our argument, and we will engage in more precise conceptualization only in the following chapters.

1.2. Thesis A: Regime Type Depends on the Separation of Spheres of Social Action

The stubborn-structures argument consists of four theses. **Thesis A provides a general frame of interpretation for regime development**, including the evolution of post-communist regimes that the remaining three theses concern.

Thesis A. The level of separation of spheres of social action makes certain regime types feasible, while others, unfeasible in a country. The separation of spheres manifests as the norms of the actors who populate the regime, which in turn presupposes a level of separation for normal functioning. Those regimes are feasible which presume the same level of separation as its actors. In contrast, those regimes are unfeasible which presume a different level of separation than its actors. Should an unfeasible regime be established, it will (a) either be weak and prone to degenerate into a more feasible type or (b) have to institute specific (effective) mechanisms to avoid degeneration.

The separation of spheres of social action has been mentioned in the *Introduction*, and we are going to provide a more formal definition of it, as well as of the spheres themselves in Chapter 3 [→ 3.2]. Indeed, **the separation of spheres can be understood on two levels: (a) the level of actors and (b) the level of formal institutions**. On both levels, "social action" is understood by the work of Offe, who distinguished three types of social action: political, market, and communal (see Box 1.1).[2] "**Sphere of social action**" refers to the community of actors who engage in the given type of action. However, the two levels differ in the manifestation of separation. **On the level of actors, the "level of separation" of spheres means the actors' informal understanding of their roles, actions and motives being confined to certain spheres**. In this case, we can speak about "separation of spheres of social action" if there are no overlaps between the roles of actors of different spheres. Separation does not imply an individual does not engage in more than one type of social action. What it implies is that, while an individual fulfills different social roles, his actions and motives in one role do not influence his actions and motives in the other role. To take an example, an executive head engages in political action as a politician, but he can also engage in communal action in his family. But if the spheres of social action are separated, that means that his sense of belonging and familiar reciprocity does not guide his political actions. Similarly,

Box 1.1. The three types of social action.

"[P]olitical action is embedded in a state structure and framed within features such as the acquisition and use of legitimate authority, accountability, hierarchy, and the use of rule-bound power for giving orders and extracting resources. Its intrinsic standard of goodness is *legality*. Market action is recognized by the contract-based pursuit of acquisitive interests within the framework of legal rules that specify, among other things such as property rights, the universe of items that can be 'for sale,' and which cannot. Its standard of goodness is success or *profitability*. Finally, communal action is defined by a sense of reciprocal obligation among persons who share significant markers of identity and cultural belonging, that is, belonging to the same family, religious group, locality, and so on. The standard of goodness of communal action is *shared values and shared notions of virtue*."

– Claus Offe, "Political Corruption: Conceptual and Practical Issues," in *Building a Trustworthy State in Post-Socialist Transition*, ed. János Kornai and Susan Rose-Ackerman (Palgrave Macmillan US, 2004), 78.

[2] Also, see Offe, "Civil Society and Social Order." For other authors using the same or a similar distinction, see Goodin, "Democratic Accountability"; Philp, "Defining Political Corruption."

an economic actor can be an entrepreneur as well as a personal friend of a politician, but neither one's actions in their primary sphere are influenced by their communal relationship if the spheres of social action are separated. The politician remains a politician only if the focus of his actions and his interests are confined to the political sphere (getting more political power, more votes etc.), while the entrepreneur remains an entrepreneur only if the focus of his actions and his interests are confined to the economic sphere (profitability, outcompeting rival entrepreneurs etc.).

On the level of institutions, however, separation of spheres refers to **the formally assigned roles of each sphere's actors being separated**, as well as the various guarantees, rules and control mechansims that maintain that separation. A feudal state, for instance, typically maintains a collusion of spheres: the lord is both a political and an economic actor, whereas their communal network (i.e., family) also plays an important role in the court in general and in hereditary lineage in particular. A communist state is characterized by a merger of spheres, where the party state subjugates economic and communal spheres to political action. In contrast, the formal institutions of liberal democracy are based on the separation of spheres, instituting various control mechanisms to keep political actors from taking their economic and communal interests into account in decision-making.[3]

The "regime" combines the level of actors and formal institutions, in addition to informal institutions that emerges in interaction of the two levels. In general, we can say that a regime is none other but the **institutionalized set of fundamental formal and informal rules that structure the actors' interactions** in general, and with respect to the political power center in particular [→ 2.2.1]. This is what we mean by "populate" in Thesis A, expressing that it is the actors who operate the regime's institutions, whereas the regime, in turn, puts the actors in an institutional structure. **The separation of spheres in this context manifests as the *de facto* autonomy of market and communal spheres from the political sphere**, and vice versa, the *de facto* autonomy of politics from the two other spheres. Indeed, that "institutions" mean the rules of interaction between actors implies that every institution prescribes a certain level of "autonomy," which is an attribute of interaction referring to the freedom one actor has from the other. In other words, actor A can be regarded "autonomous" vis-à-vis actor B if the structure of institutions prescribe a relationship where A's actions are not subordinated to B's motives. Similarly, a sphere—say, the economic sphere—is autonomous if its actors are not forced to follow actors of another sphere—say, the political sphere. However, this forcing can be both formal and informal—hence we speak about *"de facto"* autonomy, instead of *"de jure,"* which would refer only to the formal institutional setup [→ 2.2.2.2]. Thus, if the spheres of social action are separated, actors of different spheres may form relations (within institutional limits) but they retain the option of free exit, meaning the other party cannot coerce them to continue the relation [→ 5.3.1].

Since regimes are composed of institutions that define the rules of interactions between actors, it follows that **every regime presupposes a certain level of separation of spheres of social action**. This is true if we focus on the regime as a whole and also if we

[3] Each setting—especially liberal democracy and communist dictatorship—will be analyzed abundantly in following chapters.

focus only on its formal institutions. For the latter also define rules of interactions, and therefore also presuppose a certain level of separation. However, **as the regime is populated by the actors, they will try to operate it by their own informal understanding of the separation of spheres**. Although formal institutions presume a certain level of separation, the actors who operate them will not want to follow the formally prescribed rules of interaction between spheres if their own informal understanding is different. The result is what Thesis A claims: the regime will degenerate into a regime type that is feasible, meaning one that harmonizes with the actors' motives.

Indeed, this is the same problem that Huntington already realized in *Political Order in Changing Societies*. He explained that corruption in modernizing societies often comes from the fact that "according to the traditional codes in many societies, an official had the responsibility and obligation to provide rewards and employment to members of his family. No distinction existed between obligation to the state and obligation to the family."[4] In this case, an actor's family obligations—from which there is no free exit [→ 5.3.6]—influenced their actions in the political sphere, constituting its collusion with the communal sphere.

In essence, Thesis A points out the **potential discrepancy between the goals of the actors and the goals of the formal institutions**. Let us take the example of liberal democracy, the model which was sought in the region after the collapse of the Soviet Union. The goal of the formal institutions of liberal democracy is the separation of spheres. If the goals of the actors dominantly match this, that is, **if the informal understanding of most of the actors is to separate the spheres of social action, liberal democracy can stably function**. However, **if the actors dominantly represent a collusion or merger of the spheres of social action, then liberal democracy will fail**, and the regime will degenerate to a system where the formally established democratic institutions are operated by the actors' informal understanding, actions and networks [→ 2.2.2.2]. Indeed, this is what produces the "hybrid" character that hybridology wants to reflect on—but it is unable to do so properly, using categories that presuppose the separation of the spheres of social action. It is impossible to describe the hybrid character authentically if one's concepts presume that the very phenomenon that causes hybridity is non-existent.

The level of separation of spheres of social action causes a kind of **"path dependence"** to regime development. However, as the end of Thesis A suggests, this should not be understood deterministically. There is also a chance of **"path creation,"** that is, **to institute regimes that are not dominantly supported by the actors who populate it**.[5] Indeed, communist dictatorship in the Baltic states, as well as the Soviet satellite states in Central Europe can be seen as path creation in this sense (see below). Among more recent examples, we can mention Georgia, where the political elite attempted to separate the spheres of social action in a series of state-curtailing reforms after the Rose Revolution [→ 7.3.4.5], or the Czech Republic, where the ruling party has attempted the opposite, to create a collusion of the spheres of social action [→ 7.3.3.3]. Hungary and the sphere-colluding reforms of Viktor Orbán since 2010 is another likely example of path creation [→ 7.3.3.4], although

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4 Huntington, *Political Order in Changing Societies*, 60.

5 On the concept of path creation, see Garud and Karnøe, *Path Dependence and Creation*. For an interpretation in the social sciences, see McCloskey, *Bourgeois Equality*.

some scholars argue that not only the leading political elite but the Hungarian people as well support the lack of separation of spheres of social action.[6]

The essence of path creation is that it is not an organic process, diverting a country from a path it would most likely follow based on its actors. Consequently, **it may happen only under very special, irregular circumstances**. Before the collapse of the Soviet empire, this was none other but foreign invasion, when a merger of spheres of social action was instituted by overt oppression. After the collapse, path creation usually happened when, due to the combination of many unique factors, a political elite came to power that had a markedly different view of separation of spheres than the majority. Yet such cases differ in terms of longevity and the capacity to consolidate their regime, avoiding its degeneration to a type that fits the actors' motives better.

1.3. Thesis B: The Separation of Spheres Followed Civilizational Boundaries

1.3.1. Civilizations and the Three Historical Regions

Having outlined our general thesis about the importance of the separation of spheres in regime development, we move on to **the three concrete theses about the evolution of the post-communist region**. Thesis B, C and D concern the pre-communist, communist and post-communist times, respectively, pointing out the conditions and events that had the most effect on the level of spheres of social actions in the region.

Thesis B. In pre-communist times, the separation of spheres of social action followed civilizational boundaries. While all were feudal states at the time, countries that belonged to Western Christianity featured most separation, followed by less separation in the Eastern Orthodox and the least separation in the Islamic and Sinic civilizations. The lack of separation was represented by a series of interrelated phenomena, which were present with different strength in different civilizations.

As Karl Polanyi explains in *The Great Transformation*, communality and reciprocity played an essential role in pre-modern economies and it took the Industrial Revolution to separate the sphere of market action from that of communal and political action, leading to the development of capitalist markets in the modern sense.[7] Later on, checks on monarchs and property rights protection created the boundary conditions for free trade and entrepreneurship, which

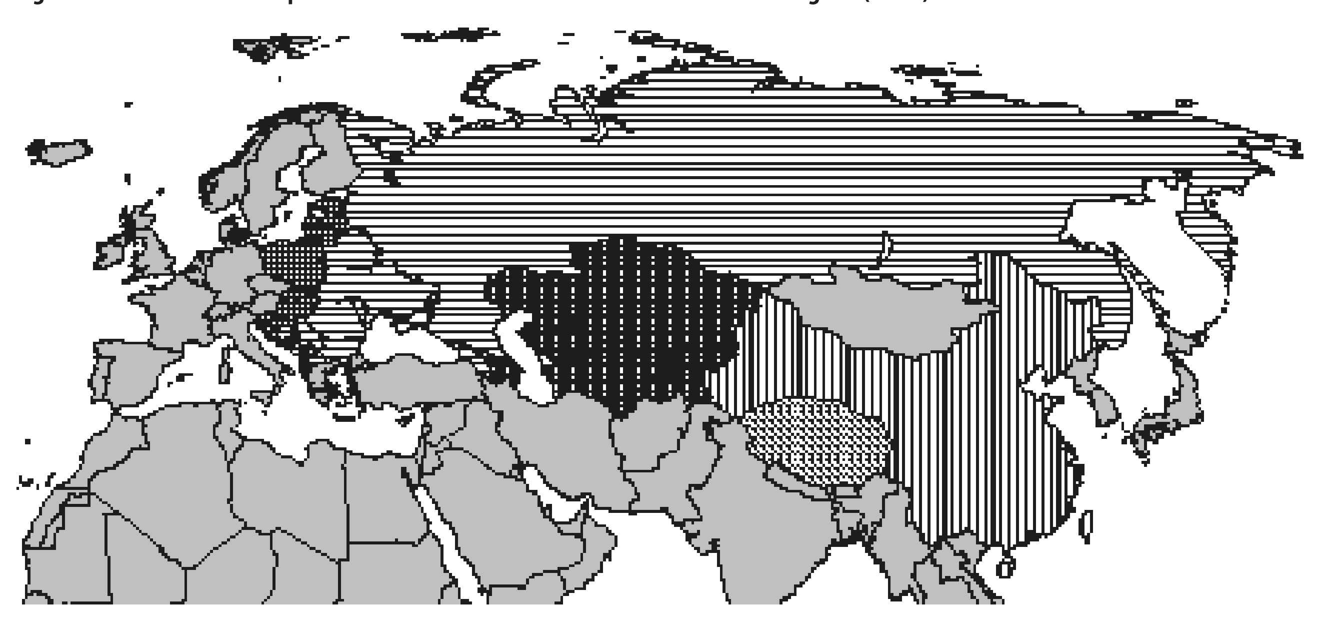
[6] Kozák believes this is the case because of more "Eastern" than "Western" set of values, whereas Csizmadia argues the weak nation-state and democratic traditions, the weak social organizational power of liberalism and the weak social cohesion and citizenship, resulting from the lack of political education, are the factors that make liberal democracy in Hungary "baseless." See, respectively, Kozák, "Western Social Development with an Eastern Set of Values?"; Csizmadia, *A magyar politikai fejlődés logikája* [The logic of Hungarian political development].

[7] Polanyi, *The Great Transformation*, 45–70.

allowed private capitalists largely independent from the political sphere to emerge, especially after the 18th century and the dusk of mercantilism.[8] However, this **transformation and the separation of the spheres of social action was particular to Western civilization**. As a consequence, the 19th century saw a "great divergence" of the West from the East,[9] where absolute monarchs enjoyed a monopoly on land, legal protection of private property was weak and industrialization took place, lagging several decades behind, as a politically-driven process.[10]

This state of affairs amounts to **the rudimentary or lack of separation of the spheres of social action** in Eastern civilizations at the turn of the 20th century. Thesis B argues this **can be traced back to civilizational specificities**, and indeed, it was Western civilization that allowed the process of separation to start in the first place, long before the Industrial Revolution. We divide the post-communist region by civilizational "boundaries" the same way Huntington does in his famous *The Clash of Civilizations* (Figure 1.1).[11] However, our understanding of "civilization" is not exactly the same as that of Huntington. Rather, we rely on the work of Peter J. Katzenstein.[12] One of the foremost interpreters of Huntington, Katzenstein reconstructs Huntington's approach in a more valid form, based on numerous criticisms[13] and the rich literature of civilizational analysis.[14]

Figure 1.1. Civilizations in post-communist Eurasia. Source: based on Huntington (1996).



Legend: right-to-left diagonal: Western Christianity; horizontal: Eastern Orthodoxy; dotted: Islamic; vertical: Sinic; left-to-right diagonal: Buddhist; grey: outside the post-communist region we consider.

[8] Acemoğlu, Johnson, and Robinson, "The Rise of Europe"; Raico, "The Theory of Economic Development and the European Miracle"; De Soto, *The Mystery of Capital*.

[9] Pomeranz, *The Great Divergence*.

[10] Henderson, *Industrial Revolution on the Continent*.

[11] Huntington, *The Clash of Civilizations*.

[12] Katzenstein, "A World of Plural and Pluralist Civilizations."

[13] For an overview, see Orsi, *The 'Clash of Civilizations' 25 Years On*.

[14] For a meta-analysis, see Arnason, "Civilizational Analysis, History Of."

According to Katzenstein, there is large consensus in Huntington's claim that civilizations are "plural," meaning there are multiple civilizations in the world, but civilizations are also "pluralist," meaning they are not as homogeneous and unidirectional as Huntington would have us believe. As Katzenstein writes, civilizations are "not static and consensual but dynamic and politically contested. If we think of them in terms of multiple modernities (as in Eisenstadt), or zones of prestige that embody intellectual disagreements (as in Collins), or multiple processes (as in Elias), [we can see that] each civilizational constellation is marked by political battles and contested truths."[15] However, Katzenstein argues that countries of a civilization are still brought together "under the emblem of 'unity in diversity'" by two factors: (1) the particular types of interactions of the elites, underlining the role of civilizational actors (states, polities, and empires) and techniques of silent spread, social emulation (copying), self-affirmation, and explicit export;[16] and (2) the created civilizational identity of the people, which is "a taken-for-granted sense of reality that helps in distinguishing between self and other and right and wrong."[17] In the end, civilizations exist and, "under specific conditions […] political coalitions and intellectual currents can create primordial civilizational categories that are believed to be unitary and may even be believed to have the capacity to act."[18]

Accepting Katzenstein's reconstruction, the authors contributing to his edited volume analyzed virtually the same civilizations as Huntington, while pointing out—for example—the ability of Europe to redefine itself, China being an obligatory role model for neighboring countries wanting to make relations with it (constituting the Sinic civilization), or Islam being a "bridge civilization" in Afro-Eurasia.[19] Accordingly, we also accept Katzenstein's approach as an update to Huntington while preserving Huntington's notion of civilizational boundaries, keeping in mind the importance of intra-civilizational processes and the path-creating ability of countries embedded in civilizations [→ 7.4.4]. However, **we also insist on referring to some civilizations by religion**, just as Huntington spoke about Western Christianity, Eastern Orthodoxy, and Islam. This is not because we hold that religion determines the development of the countries in question, although many scholars have underlined the importance of religion in development, conflict, and other aspects of politics.[20] Rather, our reason is that **general religious patterns signify how the separation of the spheres of social action had taken place historically**, which is not unrelated to the fact that **churches helped sustain the merger of social spheres** by taking part in political and communal action to different degrees in different civilizations. Huntington sums up the role of the church in Western and Eastern civilizations as follows: "Throughout Western history first the Church and then many churches existed apart from the state. God and Caesar, church and state, spiritual authority and temporal authority, have been a prevailing

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[15] Katzenstein, "A World of Plural and Pluralist Civilizations," 29.

[16] Katzenstein, "A World of Plural and Pluralist Civilizations," 24–35.

[17] Katzenstein, "A World of Plural and Pluralist Civilizations," 12.

[18] Katzenstein, "A World of Plural and Pluralist Civilizations," 7.

[19] Katzenstein, *Civilizations in World Politics*.

[20] For a meta-analysis, see Deneulin and Rakodi, "Revisiting Religion." With respect to Huntington, see Baumgartner, Francia, and Morris, "A Clash of Civilizations?"; Johns and Davies, "Democratic Peace or Clash of Civilizations?"

dualism in Western culture. […] In Islam, God is Caesar; in China and Japan, Caesar is God; in Orthodoxy, God is Caesar's junior partner. The separation and recurring clashes between church and state that typify Western civilization have existed in no other civilization."[21] To be more precise, John Madeley provides a structured comparison of Western Christianity (composed of Roman Catholicism and Protestantism) and Eastern Orthodoxy, underlining the differences in the overarching role of the two churches in the political and communal spheres (Table 1.1).[22]

Table 1.1. Comparing the paradigms of Western Christianity and Eastern Orthodoxy. Source: modified from Madeley (2003, 40).

Western Christianity	Eastern Orthodoxy
Own church law totally oriented around Pope as absolute ruler, lawgiver and judge	**Church law incorporated into imperial state law** under the authority of the imperial authorities
Church presented itself as a **completely independent ruling institution**	Church incorporated into imperial system in which **secular power dominated spiritual**
Approved wars to achieve spiritual ends (wars of conversion, wars against pagans and heretics, crusades etc.)	**Entangled in most of the political and military conflicts** of the secular power, the church often gave theological legitimization to wars, even inspired them
Dominant social status, but with a celibate **clergy, set apart from the people** by celibacy	Clergy, apart from bishops, remained married and therefore closer to the people and **more assimilated into the structure of society**

China, with the presence of Buddhism in its territory, constitutes the individual core of the Sinic civilization, representing in pre-communist times Confucianism that entailed strong centralized authority and extended imperial control over "societal practices […] from language and religion to political institutions and economic activity."[23] However, China is alone in the post-communist region we consider. **The other countries, namely the ones that later belonged to the Soviet empire—**including member states and Western satellite states**—may be sorted into three historical regions** by their civilizational belonging. During the Cold War era, Hungarian historian Jenő Szűcs spoke of three historically defined regions of Europe, arguing that long before the Second World War, a Central-Eastern European region existed but was a part of what was then the Soviet Bloc.[24] He discerned the eastern perimeter of Central-Eastern Europe as the border between Western and Orthodox Christianity. As he writes, the "distinctly marked border splitting Europe [runs] along the southern reaches of the Elbe-Saale, the Leitha, and further along the western border of ancient Pannonia," which was "the eastern border of the Carolingian Empire around 800 AD" where an "organic symbiosis of late Antique Christianity and barbarian Germanic elements

[21] Huntington, *The Clash of Civilizations*, 70.

[22] Madeley, "A Framework for the Comparative Analysis of Church–State Relations in Europe."

[23] Kang, "Civilization and State Formation in the Shadow of China."

[24] Szűcs, "The Three Historical Regions of Europe."

had taken place over the previous three centuries."[25] In line with Szűcs, Huntington speaks about "the great historical line that has existed for centuries separating Western Christian peoples from Muslim and Orthodox peoples," a line that "dates back to the division of the Roman Empire in the fourth century and to the creation of the Holy Roman Empire in the tenth century." He succinctly adds: "Where does Europe end? Europe ends where Western Christianity ends and Islam and Orthodoxy begin."[26]

The territory of the post-Second World War Soviet Union only deviated from Szűcsian borders in two places: (1) it re-annexed the Catholic and Protestant Baltic states Russia had once conquered under the Tzars, and (2) in the Balkan states that were largely or wholly within the dominion of Orthodox Christianity (Bulgaria, Romania and parts of Yugoslavia) did not belong to the Soviet Union. Within the Soviet empire, there was a border dividing Central-Eastern Europe from Eastern Europe, or **the historical region of Western Christianity from the Eastern Orthodox region**. These are practically the same regions that Szűcs understands as the second and third historical regions of Europe. However, within the Soviet empire we also find **Soviet Central Asia**, representing a distinct region of societies of **Islamic** origins.[27] The lines of the three historical regions, defined by their civilizational belonging are clearly drawn in Figure 1.1.

In an illuminating passage, Russia expert Zoltán Sz. Bíró writes that "in the West, in the context of Latin Christianity, the omnipotence of the state was limited by [the autonomy of] the church, whereas in the East, in the context of Orthodoxy, this limiting role was unfulfilled."[28] Indeed, what we can see is an institutional **separation of secular and religious power in the Western Christian region**, embedded into the larger project of "[reconstructing] European identity around secular ideas and reason […]. Growing autonomy of the political, cultural, and societal centers; acceptance of innovation and an orientation toward the future; shifts in the conception of human agency and autonomy; and intense reflexivity [gave] rise to […] universalistic practices, including private religion, parliamentary democracy, universal citizenship and suffrage, science, market economy and trade, and human rights."[29] This is in contrast with the **symbiosis of the church and the state in the Eastern Orthodox historical region**, just as with the more extreme lack of separation of social spheres enhanced by the **identity of secular and spiritual rulership (theocracy) in the Islamic historical region**. Indeed, in Central Asia state institutions following Islamic law could operate unhampered until 1917 and, "despite years of reprisal and persecution in the Soviet Union, Islam […] managed to preserve its spirit as a way of life that culturally defined every facet of the believer's existence."[30]

To sum up, **civilizational belonging corresponds to the pattern in which the separation of spheres developed**. What might appear as identity on the level of individuals appears as civilization on the level of the collective. Indeed, civilization is related to a whole host of phenomena, which are assembled in a structure with cohesion. Changing the ele-

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25 Szűcs, "The Three Historical Regions of Europe," 132.

26 Huntington, *The Clash of Civilizations*, 158.

27 Huntington, *The Clash of Civilizations*, 174–83.

28 Sz. Bíró, *Az elmaradt alkotmányozás* [The cancelled constitution making], 201.

29 Adler, "Europe as a Civilizational Community of Practice," 71.

30 Tazmini, "The Islamic Revival in Central Asia," 65.

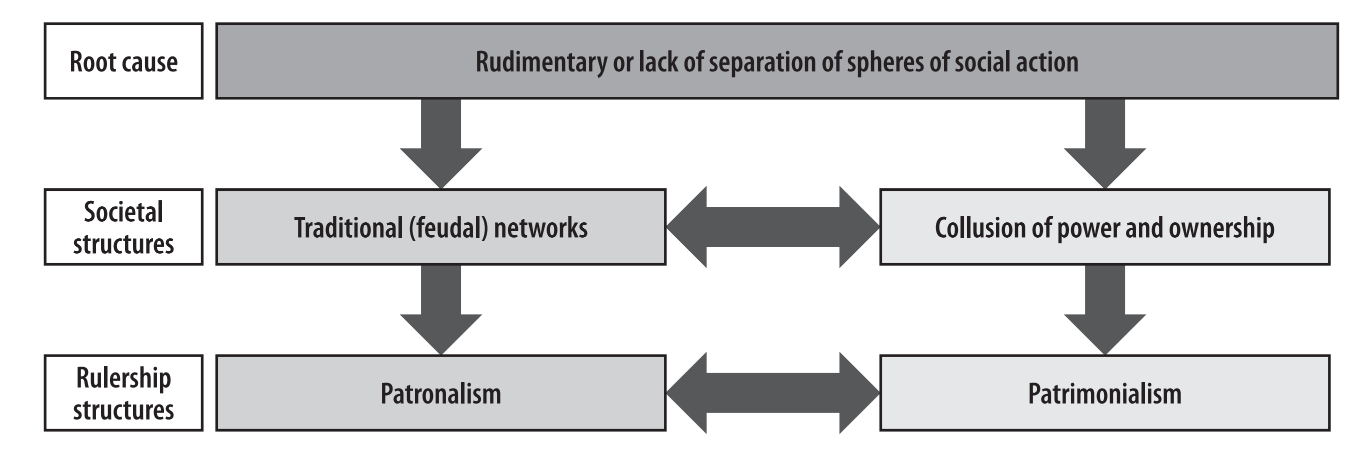
ments one-by-one may not be feasible, especially by external intervention, as the structure has a power of resistance—indeed, stubbornness—as a whole. We will see this notion come up later in the argument, but first we have to take into account the forms in which the rudimentary or lack of separation of spheres manifested.

1.3.2. The Basic Structure of Unseparated Spheres in a Feudal Framework

In the feudal states of pre-communist times, **the lack of separation of spheres of social action manifested in a series of interrelated phenomena**, which were present in different degrees in different civilizations. These basic structures are illustrated on Figure 1.2, depicting a model that features the root cause, the consequent societal structures—concerning every social stratum—and the rulership structures—concerning the ruling elite.

On the left side of the figure, we can follow the chain of phenomena regarding **personal relations**:

Figure 1.2. The logic of basic structures of pre-communist societies. Dark grey represents the root cause, medium grey represents the consequences for personal relations, and light grey represents institutional consequences.



- ***Traditional (feudal) networks.*** In Weber's writings, feudalism appears as a specific type of **rank order**, whereby "rank" stands for a logic of stratification in which **economic institutions are still embedded in feudal political and legal structures**. In this order, the distribution of power and life chances is determined primarily by the structure of interrelated obligations, in particular the obedience owed to a personal master, whose claim to authority is based on age-old rules and on 'status honor'. [In feudalism], **the basis of social power is in a network of social ties and obligations** [whereas] the capacity to monopolize and accumulate this power is justified by reference to 'traditional authority'" (emphasis added).[31] In *Making Capitalism Without Capitalists*, Gil Eyal, Iván Szelényi and

[31] Eyal, Szelényi, and Townsley, *Making Capitalism Without Capitalists*, 68.

Box 1.2. Patronage in imperial Russia.

"Patronage is an ongoing, hierarchical but to some extent mutual relationship under which a client offers goods, services or support to a patron in return for protection and perhaps promotion of the client's interests or other benefits. It is an informal relationship which contains no element of contract and is unrelated to law as officially understood. [. . .]

[P]atronage in imperial Russia worked in four main ways: (i) Monarchical proximity, which favoured those who [. . .] served at court or had the regular right of access to the court. (ii) Kinship, which favoured those linked by birth or marriage to families enjoying high rank or status. (iii) Geographical location, which drew in those who had served in the same province or on the same mission as an official later promoted to high office, if he valued their talents or enjoyed their company. (iv) Institutional position, which drew in those who had worked together in the same office, especially if it had specialist functions, such as the State Chancery [. . .]. [A]ll four remained important right up to 1917."

– Geoffrey Hosking, "Patronage and the Russian State," *The Slavonic and East European Review* 78, no. 2 (2000): 302, 312–13

Eleanor Tonley emphasize the competing logics of rank and class in pre-communist societies, although they admit that "[in] Hungary and Poland—and [...] to an even greater extent in pre-revolutionary Russia—social capital was of a traditional type, based on feudal social rank, and the power of the gentry remained unbroken throughout the pre-communist era. As a result, the process of embourgeoisement in these countries was blocked, subverted, or slowed down," meaning class formation did not take place to a degree that the logic of class could dominate a social structure based on traditional (feudal) networks.[32]

On the one hand, the societal structure of feudal networks meant that **the lack of separation of spheres of social action was legitimate and formalized**, extended to the everyday life of everyone in pre-communist societies. A good illustration is provided by Geoffrey Hosking, who explains that in imperial Russia "the landlord was the decisive authority figure in the serf's life: he was employer, judge, tax-collector, police chief and recruiting-sergeant rolled into one." According to Hosking, such merger of activities was prevalent up to the abolishment of serfdom by Alexander II—and that reform was enforced rather half-heartedly before 1917.[33] On the other hand, **along the meticulous formal hierarchy of feudal rank order, informal personal relations dominated** in the allocation of positions and resources.[34] Indeed, the dominance of personal relations is typical to pre-modern societies,[35] but in the case of feudalism, this does not mean that formal titles lose their importance in such settings. On the contrary, informality in feudalism exists as **an extension to formality**: one has a formal rank, and it is their formally granted power and resources they can use for personal considerations. Conversely, it can happen under feudalism that, as in the famous case of Cosimo de' Medici, a network is created out of formal and informal (personal) relations in marriage, trade, and patronage to advance political career and facilitate the attainment of formal positions.[36] But **informal rank alone**—without accompanying formal position**—does not grant power to anyone**, and informal networks do not replace formal institutions either. **Patronage**, which constituted a special merger of political and market action in Imperial Russia, also developed along formal feudal hierarchies by lords using their legally granted powers (see Box 1.2).

32 Eyal, Szelényi, and Townsley, *Making Capitalism Without Capitalists,* 24–26.

33 Hosking, "Patronage and the Russian State," 309–14.

34 Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*, 151–55.

35 North, Wallis, and Weingast, *Violence and Social Orders*, 30–76.

36 Padgett and Ansell, "Robust Action and the Rise of the Medici, 1400–1434."

- ***Patronalism***. Narrowing our focus to the ruling elite, the corollary of feudal networks and patronage in rulership structure is "patronalism," as interpreted by Henry Hale in his seminal work *Patronal Politics*.[37] In general, patronalism involves hierarchical ordering of social networks, dividing people into a small number of rulers—patrons—and a large number of dependent subordinates—clients [→ 2.2.2.2]. As a rulership structure, patronalism embodies **"the personalized exchange of concrete rewards and punishments through chains of actual acquaintance,"** as opposed to "abstract, impersonal principles such as ideological belief or categorization like economic class."[38] Patronalism also entails a coercive, tyrannical hierarchy, where the patron at the top is empowered to reward and punish clients on a discretional basis [→ 2.4.6]. Indeed, societies all over the world "found it natural to extend their forms of handcrafted rule through personal networks as they grew in scale from the original, small-scale communities where everyone knew everyone else," so it is no wonder that in default of the process of separation of spheres of social action "patronalism has been a fixture of the [pre-communist] region's politics from the time its very first major polities appeared."[39]

On the right side of the figure, we can follow the chain of **institutional phenomena**:

- ***Collusion of power and ownership***. In countries of the Western civilization today, private ownership refers to a bundle of rights of a private owner, who can dispose of his property at his own volition as far as he does not violate the corresponding rights of others. Freedom of ownership includes the right to sell and accumulate wealth, legally protected against private harassment and apart from the political sphere. However, the lack of separation of political and market spheres leads to the institutional setup known in Russian literature as "power&ownership" *(vlast-sobstvennost)*. Although we are going to use this term in a narrower sense throughout the book [→ 5.5.3.5], in the literature it has been applied to the specific ownership relations characterized by the lack of separation of spheres of social action. As Andrey Ryabov writes, the **distinctive features** of this institution "were perhaps most clearly presented in Igor Berezhnoy and Vyacheslav Volchik's work as the following: '1. **The granting of ownership rights** for certain property **is only possible with active participation of the state as the main agent of distribution** (or redistribution); 2. **Any property might be expropriated at any time if the authorities** (at any level) **become interested in its redistribution**; 3. State or other authorities collect rent (either explicitly or implicitly) from the property within the framework of power&ownership.' Publications like this one have stressed that the institution of power&ownership is based on full or partial monopolization by the state, or rather by the groups that control it, of the functions of whole sectors of, or the entirety, of the national economy. […] In Russia, power&ownership has demonstrated amazing vitality, having played a huge role in the country's history

[37] Hale, *Patronal Politics*.

[38] Hale, *Patronal Politics,* 9.

[39] Hale, *Patronal Politics,* 41.

since the 15th century. […] The Tsar's monopoly on land, like in oriental societies, was what constituted the economic basis of the authoritative autocratic state and its dominating role in national economy until the collapse of monarchy in 1917."[40]

The collusion of power and ownership can be classified as a **societal structure** because property relations define the connections between people in the entire society, down to the everyday life of ordinary subjects of a feudal state.

- ***Patrimonialism***. A Weberian term, patrimonialism derives from the household administrations of a chief and refers, as a characteristic of a regime, to the **indivisibility of public and private spheres**, as well as **the treatment of society as a private domain by those who hold political power.**[41] As a **rulership structure**, this is the corollary of the collusion of power and ownership, which implies the lack of separation of the private economy (market action) from the public sphere (political action). Moreover, it is important to note that patrimonialism, though it goes hand in hand with it, is not the same as patronalism. For, in our understanding, the latter refers to certain actors and the presence of personal, patron-client ties of vassalage, whereas patrimonialism refers to institutions or spheres, which an actor (typically a patron) can administer as if it was his private domain.

  While Western polities are generally protected from the private appropriation of the public sphere by the constitutional guarantees which have been developed to separate the political sphere from the spheres of market and communal action, the lack of separation in Eastern civilizations manifested in explicitly patrimonial institutions and rulership during imperial times, before the communist era.

Both being corollaries of the lack of separation, **personal and institutional specificities reinforce each other**. On the level of societal structures, the collusion of power and ownership involves the element of discretional disposition of property on the basis of feudal relations, and in turn, the deeply rooted tradition of patronage merges ownership with power by turning all property and products into currency in a market for favorable (or simply fair) treatment by other, higher feudal entities. As far as rulership structures are concerned, patrimonialism requires the patronal subjugation of subjects, whereas patronalism means the enforcement of the (private) will of the patron over the interests of his subjects, the public. Indeed, patrimonialism is the systemic involvement of the political sphere into market and communal activities, whereas patronalism refers to the personal dependence of the people which distances such rulership from the Western ideal of an impersonal, and non-patrimonial, professional bureaucratic administration, in the Weberian sense.[42]

These phenomena were present in imperial China, which Weber described as "the most consistent political form of patrimonialism,"[43] **as well as the Islamic and Orthodox historical regions**, as exemplified by the above-quoted passages referring to imperial Rus-

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[40] Ryabov, "The Institution of Power&Ownership in the Former USSR," 416.

[41] For a meta-analysis, see Fisun, "Neopatrimonialism in Post-Soviet Eurasia."

[42] Weber, *Economy and Society*, 218–19.

[43] Weber, 1090–91. Also, see Eisenberg, "Weberian Patrimonialism and Imperial Chinese History"; Hamilton, "Patriarchy, Patrimonialism, and Filial Piety."

sia (which involved both historical regions before communism).[44] Populated by feudal states at the time, **the structures were present in the Western-Christian historical region as well, but more mildly and with greater respect for individual autonomy**. As Huntington explains, most societies of the Western-Christian civilization "included a relatively strong and autonomous aristocracy, a substantial peasantry, and a small but significant class of merchants and traders. The strength of the feudal aristocracy was particularly significant in limiting the extent to which absolutism was able to take firm root in most European nations. [Social] pluralism early gave rise to estates, parliaments, and other institutions to represent the interests of the aristocracy, clergy, merchants, and other groups, [whereas individualism] developed in the fourteenth and fifteenth centuries and the […] acceptance of the right of individual choice […] prevailed in the West by the seventeenth century."[45] Huntington points out that these characteristics were not "always and universally present in Western society," and some of them "appeared in other civilizations. […] The combination of them was, however, […] what gave the West its distinctive quality."[46]

What needs to be noticed is that the features Huntington attributes to Western civilization centered on **the respect of autonomy** of certain social groups, as well as **plural structures**, as opposed to the omnipotent authority of a single lord. In contrast, "Russia had no or little exposure to the defining historical phenomena of Western civilization," with most of the distinctive features of Western Christianity being "almost totally absent from the Russian experience."[47] This means that precisely those cultural traits were missing that were the bedrock of the separation of spheres of social action in the Western Christian civilization. Attempts at modernization and civilizational shifting, such as the one initiated by Peter the Great at the turn of 17-18th century, eventually led only to strengthening central power, the diametrically opposite direction that would have been needed for a Western-type separation of the spheres of social action.[48]

The **unseparated spheres of social action under feudalism**, as well as the different levels of separation in different civilizations is nicely illustrated by Szűcs, who compares feudal relations in the Western-Christian and Eastern-Orthodox historical regions. As he writes, **a specific feature of Western feudalism was "the presence of human dignity even under subjection**. In general outside Europe but even in the Russian principalities a 'man of service' would bow to the ground, kiss the hand of his lord or even throw himself down and kiss the hem of his lord's garment. In the western ceremony of *homagium* the vassal would go down on one knee with head erect, and then place his hands into the clasped hands of his lord. The new relation was finally sealed with a mutual kiss. An age that expressed all in emphatic symbols and spectacular gestures could not have found a better way to express the basic model of a relation that strove by all means to transplant that symbolism into practice. […] The same holds true of moral feelings. The 'honour' of the individual was a central element in the ancient system of values, and the 'fidelity' of the subordinate was of central importance in every society that was based upon systems of dependence,

44 For a classic analysis, see Pipes, *Russia under the Old Regime*.

45 Huntington, *The Clash of Civilizations*, 69–71.

46 Huntington, *The Clash of Civilizations*, 72.

47 Huntington, *The Clash of Civilizations*, 139.

48 Huntington, *The Clash of Civilizations*, 140.

but the two were morphologically exclusive: the *honor* of the knight and the *fidelitas* of the vassal only attained an organic fusion in western feudalism. **Europe directly inherited human dignity as a constitutive element in political relations not from Antiquity but from feudalism, and of course preserved it where human dignity remained present in the organic western process of changes in forms**" (emphasis added).[49]

1.4. Thesis C: Communist Dictatorships Arrested and Reversed the Separation of Spheres

1.4.1. The Basic Structure of Merged Spheres in Communist Dictatorships

Pre-communist times ended with the coming of communist dictatorships after the 1917 October Revolution in Russia, and after World War II in China and in Soviet satellite states.[50] Together, we refer to the Soviet Union and its satellite states as the "Soviet empire," which consisted of the three historical regions explained above. Thesis C of the stubborn-structures argument concerns **the separation of spheres of social action in different civilizations under communism**.

Thesis C. In communist times, countries of different civilizations were put under the "political lid" of dictatorship. On the one hand, this lid arrested the social development in those countries. On the other hand, the communist system brought its own series of interrelated phenomena that represented a merger of spheres of social action, reinforcing the preexisting patterns of (lack of) separation. While different kinds of communism could develop in different civilizations, the one-party system and the monopoly of state property induced similar social phenomena and did homogenize the countries to some degree.

Hale calls the communist takeover in Russia a "failed antipatronalist revolution," where the rhetoric of smashing the prevalent structures of the tsarist period ended up with the practice of the new elites resorting to patronal politics and reproducing it in new forms.[51] This is part of the truth. Indeed, **communist systems renewed all the basic structures of pre-communism, for communism itself**, aggressively imposed though it was, **represented a merger of the spheres of social action**. By the abolishment of private property, the private sphere and autonomous communities, totalitarian communism effectively merged the

[49] Szűcs, "The Three Historical Regions of Europe," 141–42.

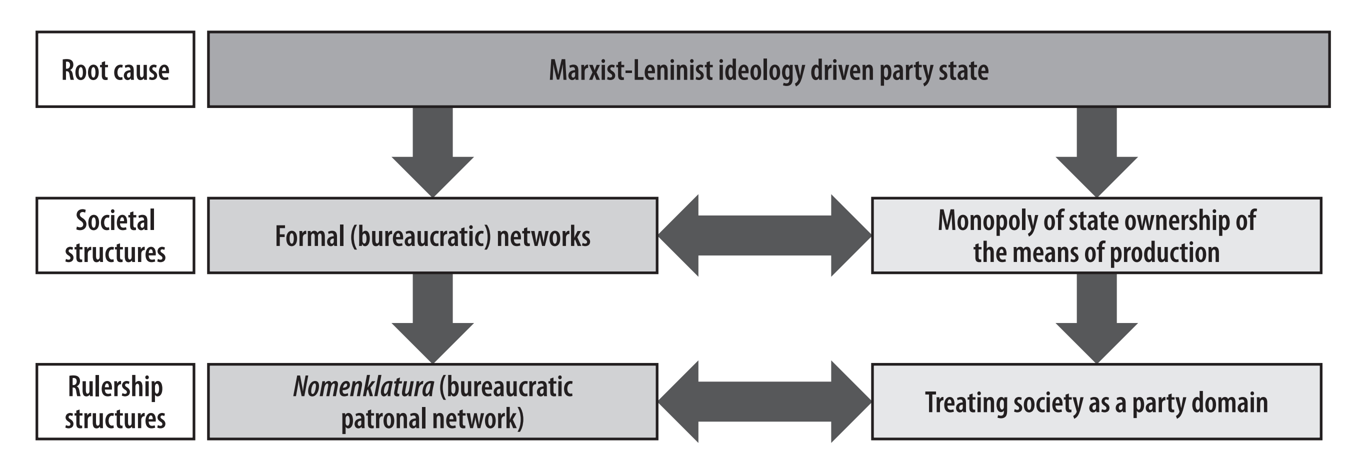
[50] By "satellite states," we refer to the communist dictatorships in Central-Eastern Europe. Mongolia, while also a Soviet satellite state, is excluded from our discussion of the post-communist region (although Hale suggests that the same conceptual framework that is applicable to the three historical regions are applicable to Mongolia as well). See Hale, *Patronal Politics*, 471–72.

[51] Hale, *Patronal Politics,* 47–54.

three spheres, which reinforced the root cause of the basic structures, together with the above-described societal and rulership structures.

Nevertheless, it is important to note that the merger of spheres imposed by communism was different from the spheres' preexisting rudimentary or lack of separation. Indeed, communism constituted a form of path creation, whereby the lack of separation that followed civilizational specificities and the traditional way of life of pre-communist peoples was overwritten by top-down imposed communism, using state coercion to engineer societies according to the utopian blueprints of communist ideologists. Therefore, **the starting point of every communist regime *per se* was the Marxist-Leninist ideology driven party state**. As Kornai explains in his renowned *The Socialist System*, from this ideology-driven rule of the party state follows (1) the dominant position of state and quasi-state ownership and (2) the preponderance of bureaucratic coordination.[52] For these consequences were manifestations of the merger of spheres the party state imposed, we can transform Kornai's analysis to our terms, and also expand it by adding rulership structures as well as the dimension of personal relations. Thus, we can sketch the internal logic of communist systems in a similar way to the basic structures of pre-communist countries (Figure 1.3).

Figure 1.3. The internal logic of communist systems. Dark grey represents the root cause, medium grey represents the consequences for personal relations, and light grey represents institutional consequences. Source: modified from Kornai (1992, 361).



As opposed to the traditional and feudal structures existing in pre-communist societies, we can see a **bureaucratization of relationships** under communist rule. The **consequences for personal relations** can be sketched as follows:

- ***Formal (bureaucratic) networks.*** For the primary means of communist social engineering was the state, a massive coercive apparatus was erected and the people were subordinated to it, having their freedom deprived in favor of central planning through formal, bureaucratic channels. The continuity between this societal structure and the traditional feudal networks is nicely illustrated by the regional party secretaries in the USSR, who did not eliminate patronage networks but cultivated them as central actors. As Hale explains, "regional […] party secretaries,

[52] Kornai, *The Socialist System*, 360–65.

the famous 'Soviet prefects' […] were the critical local hubs in the most important networks, collecting and cultivating vast arrays of informal relationships with anyone who might be willing to trade favors when the need arose."[53] As this example shows, even informal **networks were formed along the formal structure**, which defined who had access to power and resources in the system. The importance of patronage that fueled its survival was that the people under communist regimes wanted to overcome economic shortages, which were system-specific consequences of the bureaucratic coordination of the economy.[54]

Turning to **the elites**, just like in the feudal times, a great deal of **informality** could be observed **within their formal ranks**. As Alena Ledeneva explains, in the USSR "personal networks became embedded in the institutional order, personalised power and supported it. […] In Soviet times, oral and personal commands used to be much more important and were followed much more closely than written decrees (*ukazy*) and instructions (*rasporyazheniya*) […]. The primacy of the informal oral commands and handshake agreements reflected the weakness of the law [and] insidious secrecy and mistrust […]."[55] However, it must be noticed that these **informal relations were formed inside the formal network**, that is, between formal members of the nomenklatura and respecting the bureaucratic hierarchy of the party. The classical literature of "Kremlinology," while studying leadership conflict and the differences in the level of power between those in positions of power that are formally on an identical level, cannot disregard the fact that even the very question of informal power makes sense only within a formalized party structure—for without being a member of the political committee, no one can exercise real power and influence decision-making.[56]

- ***Nomenklatura (bureaucratic patron-client network).*** Patron-client relations also took a bureaucratic form in the new ruling elite. This was the single-pyramid patronal network called **the nomenklatura**, which basically included all the above-mentioned decision-makers, members of the Marxist-Leninist party, from the politburo to directors of factories. In other words, the nomenklatura was **a register of ruling positions**, including party positions—the political decision-makers on national and local level—and administrative positions—decision-makers in state companies and other places where central plans are executed.[57]

  Indeed, the transformation of feudal patron-client relations into bureaucratic ones shows how communists, who claimed to have put an end to feudalism, relied on feudal traditions. In imperial times, the two main types of nobles defined by the Table of Ranks, established in 1722 by Peter the Great,[58] were hereditary nobility

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[53] Hale, *Patronal Politics*, 53. Indeed, such trade of favors was denoted in the Soviet Union by the term *blat* [→ 5.3.5].

[54] Kornai, *The Socialist System*, 229–52 and *passim*.

[55] Ledeneva, *Can Russia Modernise?*, 30.

[56] For a late example of the Kremlinology, see D'Agostino, *Soviet Succession Struggles*.

[57] Voslensky, *Nomenklatura*.

[58] Lieven et al., *The Cambridge History of Russia*, 223–50.

(potomstvennoye dvoryanstvo) and personal nobility *(lichnoye dvoryanstvo)*. The latter position was inferior to the former as personal nobles had no right to keep an estate and serfs, and their children could not inherit their ancestors' nobiliary rank (hence they were not hereditary).[59] The communist system continued this logic of the Table of Ranks, the main difference being that the abolishment of private property put an end to hereditary nobility, and a new personal nobility, also without the right to accumulate personal wealth and transfer position to heirs, sprung up in the form of the nomenklatura.

Throughout the book, we will describe communist **institutional consequences** in great detail.[60] At this point, we may provide a sketch, for the purposes of the argument, as follows:

- ***Monopoly on state property of the means of production.*** The abolishment of private property in favor of public ownership of the means of production implies **a bureaucratic merger of power and ownership**, where decision making regarding property relations is centralized in the hands of the hyper-expanded bureaucracy. In this structure, instead of tradition and more informal discretionality, ownership rights are exercised by the nomenklatura: the politburo or the general secretary at the top level; regional or municipal party secretaries at the intermediate level; and directors of factories or organizations at the lowest level.[61]

  While none of the communist dictatorships had a total monopoly of state ownership, the share of the public sector was extremely high in every communist country. In the 1970s and 1980s, the share of the public sector was 99.7% in Bulgaria, 97% in Czechoslovakia, 96% in the Soviet Union, 95.5% in Romania, 83.4% in Poland, and 77.6% in China.[62] The data suggest similarity instead of difference along civilizational boundaries, signifying the homogenizing "political lid" nature of single-party dictatorship and preponderant state ownership that was placed upon countries of different civilizations.

- ***Treating society as a party domain.*** As Kornai points out, virtual monopoly on state property was necessary for communists because "[the] indivisibility of power and the concomitant totalitarianism are incompatible with the autonomy that private ownership entails."[63] From the abolishment of such autonomy, it follows that the classical communist system treated the society as a domain of the party, represented by its members in the state apparatus. Indeed, this can be interpreted as a **bureaucratized version of patrimonialism** where, instead of the whims of the lord, the subjects were subjugated to the (ideological) goals of the party. Under such circumstances, "[only] those who joined the Communist Party had a chance to climb to the top of the social hierarchy. Only those whose loyalty to the political boss was unquestionable, and whose dedication to the Marxist-Leninist world-

59 Sz. Bíró, *Az elmaradt alkotmányozás* [The cancelled constitution making], 186–200.

60 See Chapters 2–6. Also, see Kornai, *The Socialist System*, 62–130.

61 Nureev, "Power-Property as a Path-Dependence Problem."

62 Pei, *From Reform to Revolution*, 14.

63 Kornai, *The Socialist System*, 362.

> view was beyond doubt, could be successful. […] Indeed, the social structure of classical Stalinism could probably be described with some accuracy as a dichotomy comprising dominant, caste-like ruling estate confronting a relatively immobilized, passive 'mass'. […] Its cohesion and authority were based on patron-client relations."[64]

The last sentence of the quote denotes the relationship between the two types of rulership structures. Indeed, that the nomenklatura was made up of the decision-makers already shows how **the bureaucratic patron-client network reinforced the bureaucratic domain feature of communism** and vice versa. As for the societal structures, **the monopoly of state property and formal networks went hand in hand**, too, for private property would have entailed such autonomy that was incompatible with totalitarian social engineering, which was carried out in turn by the bureaucratic networks of the party state.

1.4.2. The Effect of Communism on the Separation of Spheres in Different Regions

In Thesis A, we maintained that those regimes are feasible in a country which presume the same level of separation of spheres of social action as its actors. However, we also mentioned that this "path dependence" can be broken in favor of "path creation," if a new regime is able to institute effective mechanisms to avoid degeneration. Analyzing the communist experience, we can say that overt oppression that was an integral part of communist dictatorships achieved precisely this. That is, **the structures presented in Figure 1.3 survived in every country in which they were established until the collapse of the Soviet Union**. Moreover, the aggressively imposed merger of spheres of social action affected the preexisting levels of separation in the region as well. In general, we can say that the homogenizing lid of **communism in the Western Christian historical region reversed and in the Orthodox region arrested the separation** of spheres of social action. **In China and the Islamic historical region**, the establishment of communist dictatorships meant that **the lack of separation was maintained in a new form**.[65] This implies that communism in these civilizations was not path creation but a system that presumed the same level of separation as the respective peoples. However, the picture is more differentiated as (1) communism's merger of spheres was anti-religious, meaning it set out to oppress Islam and replaced "religious superstition" with "scientific Marxism" in the official propaganda [→ 3.5.3.1], and (2) China, which constitutes a lone civilizational core vis-à-vis the three historical regions, performed a model change in the 1970s, reforming the dictatorship and changing its character from communist to what we call 'market-exploiting' [→ 5.6.2.2–3].

However, **communist dictatorships were not identical throughout the three historical regions** either, and their effect on the preexisting separation of spheres differed accordingly. **In the member states of the Soviet Union**, as well as in Albania, Bulgaria, and

64 Eyal, Szelényi, and Townsley, *Making Capitalism Without Capitalists*, 27–28.

65 Boisot and Child, "From Fiefs to Clans and Network Capitalism."

North Macedonia, **we could observe** the form of communism that was branded in the literature as "**patrimonial communism**."[66] According to Valentina Dimitrova-Grajzl and Eszter Simon, this type of communism is characterized by "low levels of bureaucratic professionalism and, consequently, high levels of corruption and nepotism, few opportunities for contestation, little to no economic freedom, high degree of restrictiveness and isolationism, and no access to the West."[67] Such systems fit our previous model of communist structures the best, for there the formal, bureaucratic state structures were permeated by extended, hierarchical power networks led by patrons who plied patronage and selective punishments to keep both elites and masses in line while subtly competing for power within the regime.

Outside the Soviet Union, other types of communism appeared. Particularly, scholars have distinguished "national-accommodative" and "bureaucratic-authoritarian communism," both of which differed from patrimonial communism in maintaining oppression through a more "professional" bureaucracy.[68] Such formal-rational types of communism developed in Central-Eastern Europe, particularly in Czechoslovakia, East Germany, Poland, Hungary, and Yugoslavia.[69]

Needless to say, formal-rational character was not antagonistic to patrimonialism, and it was possible for such communist systems to show patrimonial degenerations. Yet it was formal-rationality that allowed for the development of **reform models** of communism in Europe. In a comparative analysis, Lajos Bokros distinguishes the classical ("Stalinist") model from two reform models: **the Hungarian and the Yugoslav**. While the classical model is characterized by "exclusive state ownership of most, if not all, non-agricultural means of production," the Hungarian model featured only the dominance of state ownership. In Hungary after 1968, the private ownership of some small owners was tolerated and even property rights were protected to a certain extent, as the communist leadership recognized the private sector as "a permanent feature of the socialist economy." As for the Yugoslav model, its characteristic feature was that most enterprises "were notionally owned by employees' collectives," which also gained self-management rights in the 1950s.[70] **Both reform models aimed at resolving the rigidity that followed from the bureaucratic coordination of the economy**, fitting to the formal-rational character of communism.

The effects of different types of communist systems in the three historical regions is illustrated by Table 1.2, showing the patronal legacies of each country at the end of communism. Countries of Western Christianity, particularly the ones that had been more advanced in the separation of the spheres and featured formal-rational types of communism, fall into the "least patronalistic" category, including the Czech Republic, Hungary and Poland. The only outlier here is Slovakia, which was coded as "moderately patronalistic," but Slovak patronalism—even under the more autocratic Vladimír Mečiar in the late 1990s—was very far

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[66] Kitschelt et al., *Post-Communist Party Systems*, 21–28.

[67] Dimitrova-Grajzl and Simon, "Political Trust and Historical Legacy."

[68] Kitschelt et al., *Post-Communist Party Systems*, 24–27.

[69] Hale, *Patronal Politics*, 59. Indeed, Yugoslavia contained elements of every historical region: Western Christianity in Slovenia and Croatia, Eastern Orthodoxy in Serbia and Montenegro, and Islam in Kosovo and a part of Bosnia and North Macedonia.

[70] Bokros, *Accidental Occidental*, 31–55.

from the kind of patronalism that has been prevalent in other historical regions.[71] Among the moderately patronalistic countries, we can also find (1) the Baltic states, which combined less civilizational inclination toward patronalism (belonging to Western Christianity) with more patrimonial communist oppression (spending decades under Soviet communism),[72] and (2) Serbia, which combined the opposite, more civilizational inclination (belonging to Eastern Orthodoxy) with less patrimonial communism (featuring a reform model of communism outside the Soviet Union). In the end, we can observe that **the deeper we go into Orthodox and Islamic civilizations, the less a separation is observed between the rulers and the ruled assets** (to use Weber's categories).[73] These societies produced patrimonial communist systems and, accordingly, they carry the most patronalistic legacies of the communist rule.

Table 1.2. Legacies of patronalism at the end of the communist rule. Source: Hale (2015, 60).

Most Patronalistic	Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Georgia, Kazakhstan, Kyrgyzstan, North Macedonia, Moldova, Romania, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
Moderately Patronalistic	Estonia, Latvia, Lithuania, Serbia, Slovakia
Least Patronalistic	Croatia, Czech Republic, East Germany (DDR), Hungary, Poland, Slovenia

1.5. Thesis D: Democratization Did Not Change the Separation of Spheres

1.5.1. The Basic Structure of Unseparated Spheres in a Democratic Framework

In some post-communist countries, dictatorship has not ended. Particularly, China has maintained a one-party system that is nominally communist even today, although we regard it as "post-communist" because it is not a communist dictatorship anymore but can be better conceptualized as another ideal type regime (see below). However, after the Berlin Wall fell in 1989 and the Soviet Union collapsed in 1991, **the countries of the three historical regions experienced regime change from communist dictatorship to electoral regimes**.[74] The collapse of the Soviet Union created a power vacuum in the region: the liberated countries of the former Soviet empire had to build new political systems—and the obvious model was Western-type liberal democracy. The euphoria of "the end of history" was inferred from precisely this: former communist systems did away with totalitarianism and the principle of bureaucratic state ownership, signifying the historical victory of "the West" over "the East."

[71] Hale, *Patronal Politics*, 460–61. Also, see Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 59–78.

[72] Greenslade, "Regional Dimensions of the Legal Private Economy in the USSR."

[73] Weber, *Economy and Society*, 233.

[74] Huntington, *The Third Wave*, 23–26.

Yet this victory was true only as far as the **end of dictatorship and centrally-planned economies** went. The consequence of breaking free of totalitarianism was not that countries universally adopted Western principles, but that civilizational patterns began to effect countries more freely. Thus, they started to "bubble up" as soon as the repressive political lid of communism was removed, in different forms in different regions and under different influences. This leads us to Thesis D, concluding our set of theses and also recapitulating the stubborn-structures argument.

Thesis D. In post-communist times, regime changes involved the change of the formal institutional setting but not of the actors' informal understanding of the separation of spheres of social action. Liberal democracy was feasible only in countries where the actors' informal understanding was to separate the spheres of social action (Thesis A). The more unseparated spheres were produced by civilizational belonging (Thesis B) and the influence of the communist regime (Thesis C) on the level of actors, the more patronal regimes came into being. Whether the regimes became democratic/multi-pyramid or autocratic/single-pyramid depended mainly on two factors: (1) the presence or lack of presidentialism and proportionate electoral system and (2) Western linkage and leverage.

The general point is that, on the level of actors, **the level of separation of spheres of social action is stubborn: it does not change easily in a society**, and certainly not on its own, without targeted intervention and/or gradual reform. Naturally, elements of each civilization may change, like the character of religion or its role in personal identity.[75] National identity, too, was subject to tremendous change as the Soviet empire collapsed, forcing scholars to recognize post-communist regime changes as "triple transitions" of not just allocation (economy) and constitution-making (politics) but of nationhood (identity) as well.[76] But the level of separation of spheres has historically been a slowly moving part. Formal institutions may be able to affect the level of separation over time, as they did in the West and elsewhere,[77] but the people cannot be changed simply by placing a new formal institutional setting upon them. Instead, it is the people who will settle in these institutions, and—in case their understanding of separation is different from what the institutions presume—**the informal interpretation of formal institutions that will dominate in the polity**.[78] True, the top-down imposed communist dictatorships had a long-lasting influence, but mainly because of their aggressive and pervasive nature, forcing their ideological program of merger of spheres through societies and maintaining it for decades.[79] But even here, we can observe that if the communist regime takes over societies that are advanced in the separation of the spheres of social action, while resulting in a regression, some of the earlier civilizational legacy is nonetheless passed on. The Baltic states exemplify this: nearly five decades under Soviet occupation could not eliminate their Western-Christian

75 Hale, "Civilizations Reframed: Towards a Theoretical Upgrade for a Stalled Paradigm."

76 Offe, "Capitalism by Democratic Design?"

77 Stefes, "Historical Institutionalism and Societal Transformations."

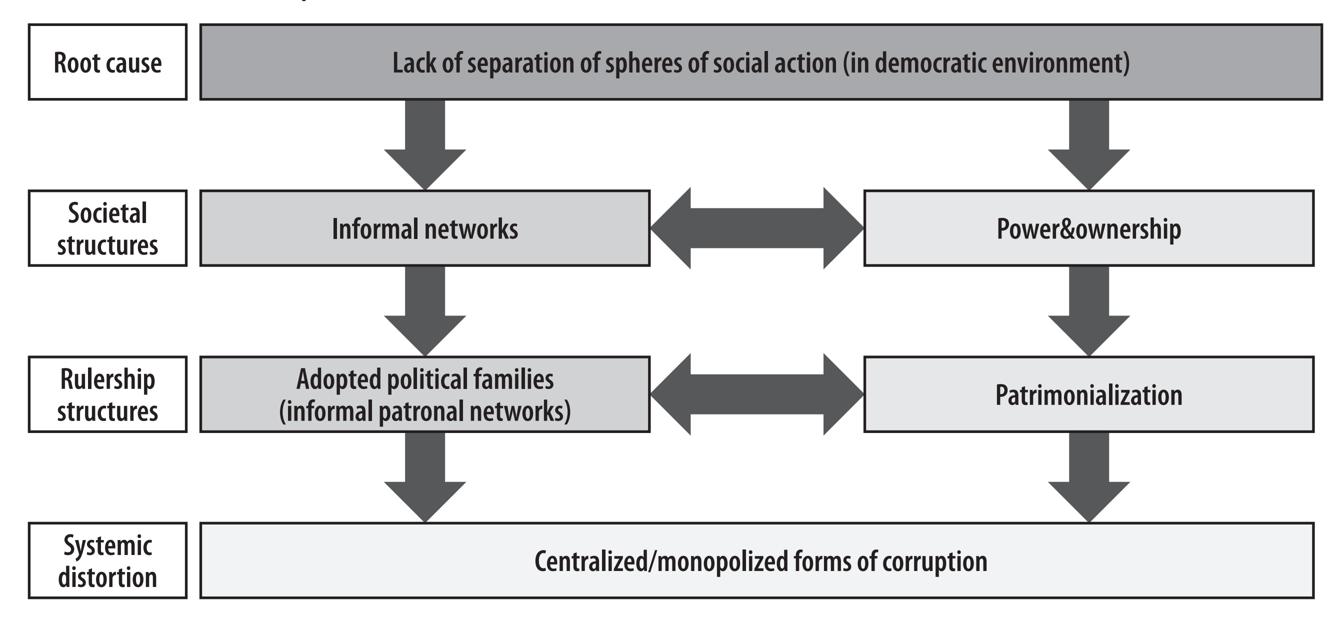
78 Sztompka, *The Sociology of Social Change*; Elster, Offe, and Preuss, *Institutional Design in Post-Communist Societies*.

79 Pop-Eleches and Tucker, *Communism's Shadow*.

roots and transform them into highly patronalistic countries like Russia and the Orthodox successor states. Integrating them in the Soviet Union did not result in their assimilation into the Eastern-Orthodox civilization.[80]

Similarly to the previous two figures, we can present as a series of interrelated phenomena what basic structures resulted from combining pre-regime change societal and rulership structures with post-regime change formal institutions (Figure 1.4). The starting point is the lack of separation of spheres, which now existed in a formally democratic environment. This is not to mean that post-communist development ended up with model liberal democratic institutions at once—on the contrary. What happened was an attempt by post-communist countries to adopt formally Western institutions, including multi-party elections, the constitutional separation of the branches of power, and the legal recognition of the free enterprise system (as well as human rights). Yet the question was **whether the democratic breakthrough was accompanied by anti-patronal transformation or not** [→ 7.3.4]. The lower boxes of Figure 1.4 represent, in an ideal typical fashion, what formal institutions became in the absence of anti-patronal transformation, that is, when the rudimentary or lack of separation prevailed on the level of actors. This shows how the inherited societal and rulership structures started to live freely from the bureaucratic edifice that communist systems had been.

Figure 1.4. Schematic depiction of the effect of the stubborn structures. Dark grey represents the root cause, medium grey represents the consequences for personal relations, light grey represents institutional consequences, and the lightest grey represents the systemic distortion following the two lines of consequences.



After the fall of communism's bureaucratic machinery, which had framed **personal relations** before the regime change, relations began to operate in the new institutional framework:

[80] Tiido, "Where Does Russia End and the West Start?"

- ***Informal networks.*** In both feudal and communist times, the lack of separation of the spheres of social action and the formal institutional setting overlapped. In pre-communist times, feudal institutions (including the state and the church) were reinforcing reflections of the pre-modern society, whereas the communist bureaucracy explicitly merged the spheres of social action and managed the people accordingly. Thus, pre-regime change polities could be characterized by the supremacy of formal institutions, and informal relations, important though they were, either appeared within formal hierarchies—as among formal lords—or they were formed on the basis of the formal status and power of the respective individuals—as in cases of the corrupt networks forming around distributive positions in the communist era *(blat)* [→ 5.3.5].[81] **After the regime change, a gap appeared between the newly established institutions**, representing the separation of the spheres of social action, **and social reality**. This is well demonstrated by the cultural map of Ronald Inglehart and Christian Welzel, presented in Figure 1.5 for the year 1996.[82] The dimensions of survival versus self-expression on the map can equally be interpreted as the scale of closed versus open societies, that is, societies less versus more compatible with Western-style liberal democracies. As we can see, every Western democracy is located on the right half of the scale—nearer to the self-expression end—whereas every post-communist country is located on the left half of the scale—nearer to the survival end.

  For engrained societal structures were respected over the culturally rootless framework of liberal democracy, formal institutions were systemically circumvented, and occasionally transformed, in line with the informal social context. This means **supremacy of informal institutions**, or the above-mentioned dominance of informal interpretation of formal institutions. On the level of ordinary people, this has manifested in widespread corruption[83] and lack of trust in formal institutions, which typically could not even develop to a degree that people could have started to trust them.[84] On the level of the elites, the supremacy of informality has meant that formal (state or party) positions *per se* are secondary and it is the position in informal networks what defines real power.[85] As Vladimir Gel'man confirms, we can see "a sustainable dominance of informal institutions both on the level of policy making and in the everyday life of ordinary citizens,"[86] a situation that has been particularly visible in the Eastern-Orthodox and Islamic historical regions in general (Thesis B) and in countries that spent decades under Soviet patrimonial communism in particular (Thesis C). Huseyn Aliyev reports, "unlike informality of Central European and Balkan post-communist societies, the post-Soviet informal institutions and practices are more widespread, more significant for the population and more closely associated with political and socio-cultural spheres. […] In most

81 Ledeneva, *Russia's Economy of Favours*.

82 "WVS Database–Findings and Insights."

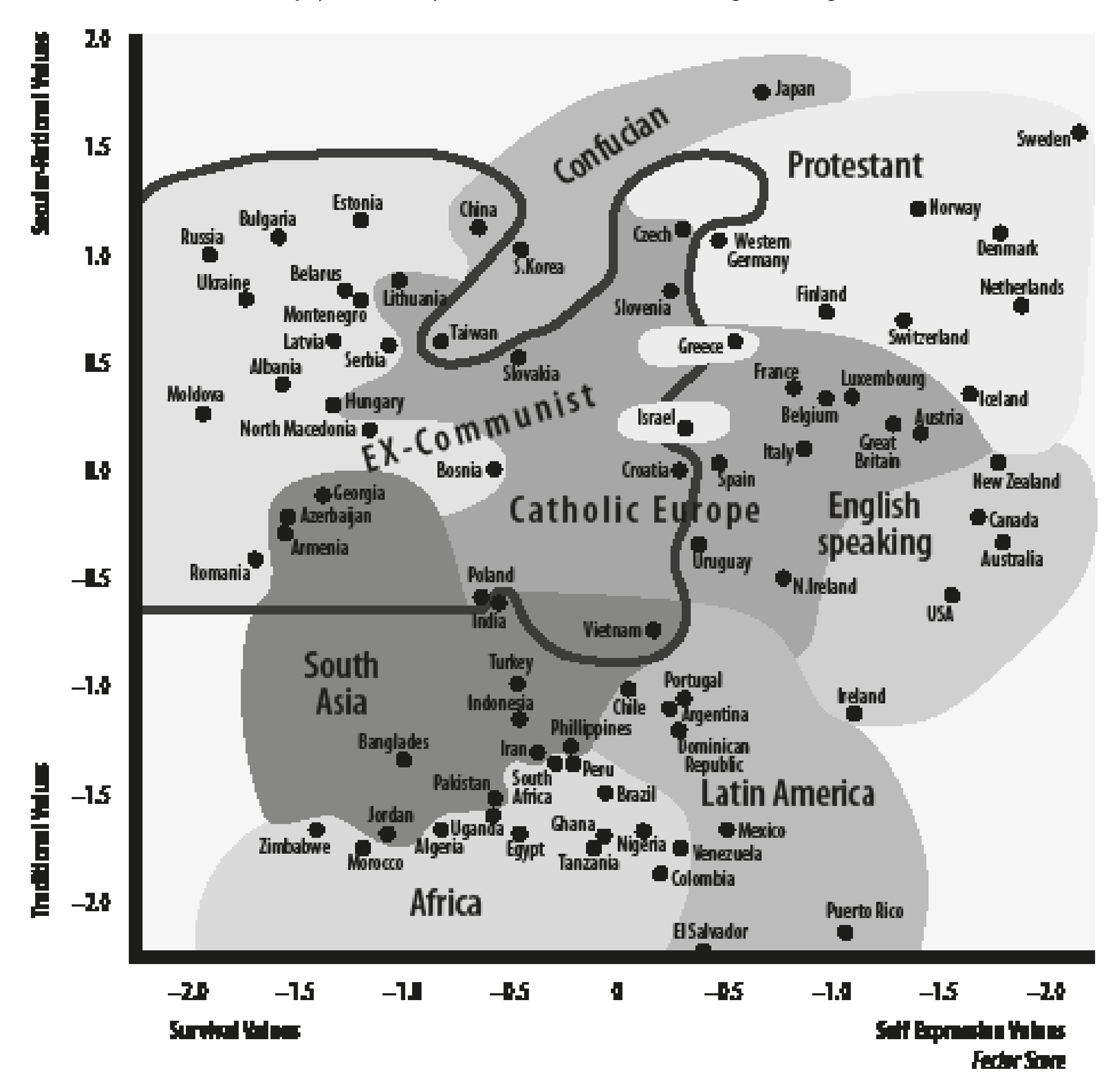
83 Karklins, *The System Made Me Do It*.

84 Kornai, Rothstein, and Rose-Ackerman, *Creating Social Trust in Post-Socialist Transition*.

85 Hoffman, *The Oligarchs*.

86 Gel'man, "Post-Soviet Transitions and Democratization," 97.

Figure 1.5. Cultural map of World Values Survey wave 4 (1996) with post-communist countries encircled. Traditional values emphasize religion, parent-child ties, deference to authority and traditional family values; secular-rational values represent less emphasis on religion, traditional family values and authority; self-expression values give high priority to environmental protection, tolerance, and rising demands for participation in decision-making in economic and political life; and survival values place emphasis on economic and physical security. Source: "WVS Database–Findings and Insights."



of non-Baltic former Soviet states, informality not only constitutes a part of popular social culture, but it also provides indispensable social safety nets and serves as everyday coping mechanisms, equally important in economics, politics, civil association and in inter-personal relations. According to the 'Life in Transition' survey […], over 60 per cent of post-Soviet households currently rely on informal

private safety nets. In contrast, only 30 per cent of households in Central European post-socialist countries and around 35 per cent in Balkans employ private safety nets on a daily basis."[87]

- ***Adopted political families (informal patronal networks).*** A corollary of the previous point (as well as the countries' patronal legacies, mentioned above with respect to Table 1.2), patronalism, which had been exercised through formally imposed relations, feudal and bureaucratic subjugation, extends far beyond any single formal institution in a democratic setting. In other words, informal networks take over formal institutions and use them as façades, whereas **the positions within an informal patronal network do not necessarily converge with the formal administrative positions**. Power is based on the merger of political and economic resources (that is, power&ownership), as well as **the position one has in the pyramid-like, hierarchical chain of command of the informal patronal network.**

  Such a network can also be called an "adopted political family," which is a specific patronal network that is **kept together** not by formal institutional hierarchies—like feudalism or the nomenklatura—but **by informal kinship and quasi-kinship relations, as well as by personal loyalty to the chief patron** (in line with the cultural patterns of patriarchal families [→ 3.6]). In other words, a "hierarchy of elite relationships exists in which small groups of powerful elite individuals know one another through direct personal contact and experience. These circles of elite relationships interlock: all elite individuals know and are associated with other elite individuals above and below them in the social hierarchy," which is also "highly centralized, with a pyramid structure vertically descending from a central […] court."[88] Describing adopted political families as "clans" [→ 3.6.2.1], Kathleen Collins explains that "clan norms demand strong loyalty to and patronizing of the clan, [and] these norms can conflict with the identity of a modern bureaucratic state. Clans turn to the state as a source of patronage and resources […]. Clan members with access to state institutions patronize their kin by doling out jobs on the basis of clan ties, not merit. Clan elites steal state assets and direct them to their network. […] The politics of clans is insular, exclusionary, and nontransparent."[89]

The regime change also brought about, beyond mere survival, a transformation of the inherited **institutional structures**:

- ***Power&ownership.*** The dismantling of the monopoly of state property took various courses in different post-communist regimes. In most of them, as a result of **privatization** the private sector's share of GDP ranged between 60% and 80% by the 2000s.[90] However, while in the West privatization is a market transaction that constitutes an alternative field of investment for the existing wealthy strata,

[87] Aliyev, "Post-Soviet Informality," 187. Also, see EBRD, "Life in Transition."

[88] North, Wallis, and Weingast, *Violence and Social Orders*, 36.

[89] Collins, *Clan Politics and Regime Transition in Central Asia*, 52–53.

[90] Lane, "Post-State Socialism."

in post-communist regimes it **was a matter of creating the property owners**.[91] Yet the waves of privatization that took place in these countries were not usually conducted through a transparent, legitimate process.[92] In Chapter 5, we examine forms of privatization and its relation to elite survival [→ 5.5.2]. At this point, we just illustrate the phenomenon by invoking the Russian term widely used for it: *prikhvatizatsiya*. This term is a conflation of the Russian word for privatization and the Russian verb "to acquire, to grab." A literal translation into English would yield something like "grabitization," which also alludes to the arbitrary, aggressive aspect of the process.[93]

In the communist system, state property belonged to the political body and thus was owned and managed by the nomenklatura. As a result of their positions as handlers, they disposed of it like bureaucrats rather than like private owners. In the course of regime-changing privatization, the spheres of politics and the market were separate only in appearance [→ 5.5.2]. Not only did the political sphere designate and provide for the first private owners, but coupled with the economic sphere, members of the political sphere held each other hostage in the following sense: In post-Soviet autocracies, centrally-planned economies did not turn into market economies in the Western sense, but got entrenched along the way in a "relational economy" [→ 5]. The system of **power&ownership** was reproduced in a new form, where **there cannot be economic power without political power**, or at least a stake in the political hinterland,[94] and **political power cannot be without economic power**.[95]

- ***Patrimonialization.*** While in pre-communist countries **the rudimentary or lack of separation of the spheres of social action** resulted in patrimonialism in feudal institutions, the same phenomenon, in the form it was inherited from communist times, **brought about the patrimonialization of the newly established democratic institutions**. As Oleksandr Fisun writes, the transformation in Russia was "a process of direct patrimonial appropriation by the ruling elites (party/management; second and third level nomenclature; and regional, republic-level sub-elites) of the state control machinery. […] This process transformed the elements of patrimonial domination of the semi-traditional type that existed in the depths of the Soviet system into a system of an updated and 'modernized' neopatrimonialism, one in which […] patrimonial relations lose their traditionalist character and acquire a modern economic dimension. […] The neopatrimonial system that emerged […] stimulated the development of post-Soviet political capitalism and endowed the workings of democratic mechanisms with a neopatrimonial logic,

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[91] Szelényi, "Capitalisms After Communism."

[92] For examples, see Hale, *Patronal Politics*, 95–115; Kryshtanovskaya and White, "From Soviet Nomenklatura to Russian Elite."

[93] Granville, "'Dermokratizatsiya' and 'Prikhvatizatsiya'"; Wedel, "Corruption and Organized Crime in Post-Communist States."

[94] Mara Faccio found that politically connected firms represent 7.7% of the world's stock market capitalization, while in Russia the corresponding number is 86.7%. Faccio, "Politically Connected Firms."

[95] Åslund, *Russia's Crony Capitalism*; Åslund, *Ukraine*.

> one in which the actors' behavior is guided less by traditional and/or not ideological motives than by financial incentives of the rent-seeking type."[96]

In the post-communist regimes where the appropriation of public authority for private interests (in other words **corruption**) is typical, these are not the objectionable and superficial concomitant phenomena of the established system but **constituent factors of the regime** [→ 2.4, 5.3]. For such **systemic distortions** follow from the sociologically grounded rulership structures: patrimonialization on the one hand, and informal patronal networks on the other hand. In other words, what we can see with these rulership structures are an evolutionary level of corruption that goes beyond free-market corruption—that is occasional and individual—and even beyond state capture, in which criminal or oligarchic groups and the lower- or mid-level state apparatuses are involved. When informal patronal networks patrimonialize state institutions, which are also intertwined with post-communist economy and property relations, **corruption is** not eliminated or treated as a deviation from the norms but **monopolized and operated centrally**. If a single adopted political family is able to achieve this on the national level of governance, that state of affairs can be dubbed a "mafia state:" a project giving sanction the pre-modern powers vested in the patriarchal head of the adopted family—that is, a mafia—on the level of a country.[97] In a mafia state, corrupt acts divide into authorized and unauthorized illegality, and it depends on the decision of the chief patron, or the loyalty of his clients, against whom will laws be enforced and who will enjoy impunity [→ 3.6.3, 4.3.4].

It may be useful at this point, before going into the regional details of democratization, to sum up the three ideal typical models through an **example**. The transformation of patronal networks can most easily be followed in the **case of Russia**, where the tsar wielded most power before the 1917 Feburary Revolution, and the elite of his patronal network were formed from the service gentry and the feudal estates (Table 1.3). The revolutions of 1917 eventually ushered in a new form of patronal network led by the party general secretary and populated largely by the party nomenklatura. In the presidential system that followed the collapse of the communist system and that had stabilized by the end of the 1990s, the elite of the patronal network takes the form of the adopted political family. The term "ruling elite" is a neutral expression, which in itself neither refers to the organizational makeup, structure, or internal relations within the elite, nor even its legitimation. However, when we speak of the ruling elite of a patronal network, this implicitly includes its immediate hierarchical nature.

In Russia under the tsars, members of the ruling elite were part of the elite on the basis of birth, by virtue of their status as nobles. The prerogatives of elites were invested in the elite individual. It was possible to lift someone into this circle, to adopt persons into it, but no one could be stripped of their status because of disloyalty. For the disloyal, law enforcement could mean the loss of life, freedom, or property, but not status. In the case of the communist nomenklatura, the relationship was the reverse: the elite consisted of what might be called an impersonal register of positions of power. Here it was the position, and not the person's status, that was fixed; the person in the position could be changed at

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[96] Fisun, "Neopatrimonialism in Post-Soviet Eurasia," 85.

[97] Cf. Hobsbawm, *Primitive Rebels*, 30–56. We provide a more precise definition of the mafia state in Chapter 2 [→ 2.4.5].

the whim of the party general secretary. Yet the ruling elite of both tsarist and communist patronal networks—whether by virtue of personal status or the register of impersonal positions—had a formalized set of rules for incorporation and expulsion. Not so in the case of the post-communist informal patronal network, developed into a single-pyramid in Russia by Vladimir Putin by 2003 and in which formal and informal roles and positions churn in an opaque, untraceable conglomeration [→ 7.3.3.5].

Table 1.3. The formal position of the chief patron, the decision-making "body" and the type of patronal networks in Russia. (Exact definitions of the table's terms will be provided in Chapters 2–3.)

	The formal position of chief patron (as the head of executive power)	The ruling "body" (the decision-making center)	Ruling elite according to the type of patronal networks	Type of the patronal state
before 1917	tsar	court	service gentry, feudal orders	feudal state
1917–1991	party general secretary	politburo	nomenklatura	party state
after 2003	president	patron's court	adopted political family	mafia state

1.5.2. Single-Pyramid and Multi-Pyramid Systems: The Determinants of Democratization in the Three Historical Regions

That civilizational belonging and the influence of communism determined the level of separation of spheres of social action that dominated after the regime change does not invite a jump to hasty conclusions. That is, we do not claim what theoreticians of modernization often rebuke Huntington for, that "the relationship between the economy, democracy, and culture is […] biunique, unambiguous, or rigid."[98] Indeed, even in the Orthodox and Islamic historical regions, **the strong presence of structures of Figure 1.4 *per se* only determined the emergence of patronal regimes—not whether they are democratic or autocratic**.[99] Furthermore, **a patronal regime can be "single-pyramid,"** which refers to one patronal network dominating with other networks being subjugated, marginalized or eliminated, or **"multi-pyramid,"** where multiple networks compete, each representing roughly equal power and neither being strong enough to dominate the others [→ 4.4].[100] Which category a country moved to after the collapse of communism, through its "pri-

[98] Kollmorgen, "Modernization Theories," 59.

[99] In general, we refer to regimes that prominently feature the structures of Figure 1.4 "patronal." We emphasize this feature out of the four because we conceptualize regimes, the definitive social actors of which are the ruling elites [→ 2].

[100] Hale calls the multi-pyramid arrangement "competing-pyramid configuration." Hale, *Patronal Politics*, 64–66.

mary trajectory" [→ 7.3.2], depended mainly on two factors: (1) the presence or lack of presidentialism and proportionate electoral system and (2) Western linkage and leverage.

The first factor concerns **the variant of formally democratic institutions** that came into being after the regime change. Specifically, **the type of executive power** and **the electoral system** were two elements that influenced whether single or multi-pyramid systems came into being. While the exact form of these institutions was often adventitious, depending on elite bargains and political opportunities during the regime change,[101] they had a profound effect later on the structure of political competition. This can be observed if we analyze the systems that evolved in the countries of Table 1.4, which presents regimes along the lines of patronalism and the type of executive.

Table 1.4. Formal constitutions and patronalism in post-communist countries since the mid-1990s. Source: modified from Hale (2015, 459).

Degree of Patronalism	Type of Executive Power		
	Presidentialism	Divided Executive	Parliamentarism
High	Azerbaijan*, Belarus*, Georgia*, Kazakhstan*, Kyrgyzstan (until 2010*), Moldova (until 2000*), Russia*, Tajikistan*, Turkmenistan*, Ukraine* (1991–2006; 2010–2014), Uzbekistan*	Armenia*, Ukraine (2006–10*; 2014-*), Kyrgyzstan (2010-*), Moldova (2016-*), Romania*	Albania, Bulgaria*, Hungary (2010-), North Macedonia*, Moldova (2000–2016)
Moderate			Estonia, Hungary (1998–2010), Latvia, Lithuania*, Serbia*, Slovakia*
Low		Croatia (until 2000*), Poland*	Croatia (2001-*), the Czech Republic (2012-*), Hungary (until 1998), Slovenia*

* Countries having direct presidential elections.

What we can see does not merely signify that a parliamentary system tends to work against the dominance of a single network. It also means that in contrast to the purely presidential setup, **a system with divided executive power can offer more institutional possibilities for competing networks to keep each other in check**, establishing more "democratic" conditions as they settle around the positions of president and prime minister as key seats of executive power. It is no coincidence that when a patronal network strives for a dominant role in a regime characterized by such divided executive power, it usually attempts to switch to a purely presidential system. And similarly, when such attempts fail, the other

101 On the case of Hungary, see Széky, *Bárányvakság* [Daytime-Blindness].

patronal networks fight for the reintroduction of divided executive power. Events proceeded like this in Eastern-Orthodox countries like Ukraine [→ 7.3.4.2], Moldova [→ 7.3.4.4] and also, Romania [→ 7.3.4.2].

A high degree of patronalism and presidentialism go hand in hand in the formation of single-pyramid systems, and the direct election of presidents is taken as a matter of fact. This does not, however, mean that where there are direct presidential elections, a presidentialist system must develop. Constitutional arrangements may allow, for example, a strong mandate for a directly elected president while giving that same president only a narrow scope of executive power. We can speak of a presidentialist system in effect when the person of the prime minister depends not on a parliamentary majority, but the president. Meanwhile, in countries where the competencies of executive power are substantially shared between the president and the prime minister, there is once again only the direct election of presidents. In parliamentary systems, the impediment to the formation of single-pyramid patronal networks can basically be provided by **the proportionality of the electoral system**, which is normally able to make sure that no single political actor acquires a constitutional majority, or the exclusive opportunity to decide who staffs the key institutions guaranteeing the system of checks and balances. Wherever the electoral system is disproportionate, a monopoly on political power may come about even in a parliamentary system, opening the gates to the formation of a single-pyramid patronal system. Hungary managed to avoid this situation for two decades after the regime change, maintaining democracy, but it eventually could not resist patronal transformation nor an autocratic breakthrough, which was made possible by its disproportionate electoral system in 2010 [→ 7.3.3.4].

The second factor that influenced single or multi-pyramid arrangement was **Western linkage and leverage**, providing various incentives for democracy and against autocratic rule (see Box 1.3). As Hale writes, the logic of patronal politics in countries with high Western linkage and leverage expects "that Western actors may in fact be able to exert enough power to alter the expectations of incumbent and opposition networks as to whether the incumbent leader is likely to remain in power beyond a given point. In [such] countries, Western powers are also better able to support external material sustenance and asset protection in large enough measure to induce significant networks not to coordinate around a given chief patron's authority. All this serves to weaken […] the tendency

Box 1.3. Western linkage and leverage.

[Where] linkage to the West was extensive, as in Eastern Europe and the Americas, competitive authoritarian regimes democratized during the post–Cold War period. By heightening the international salience of autocratic abuse, increasing the likelihood of Western response, expanding the number of domestic actors with a stake in avoiding international isolation, and shifting the balance of resources and prestige in favor of oppositions, linkage raised the cost of building and sustaining authoritarian rule. High linkage created powerful incentives for authoritarian rulers to abandon power, rather than crack down, in the face of opposition challenges. It also created incentives for successor governments to rule democratically. Among high-linkage cases, […] nearly every transition resulted in democracy. This outcome occurred even where domestic conditions for democracy were unfavorable (e.g. Guyana, Macedonia, and Romania). […] Where linkage was low, as in most of […] the former Soviet Union, external democratizing pressure was weaker. Consequently, regime outcomes were driven primarily by domestic factors, particularly the organizational power of incumbents. Where state and/or governing parties were well organized and cohesive […], incumbents were able to manage elite conflict and thwart even serious opposition challenges […], and competitive authoritarian regimes survived. […] In this context, [the] states' vulnerability to Western democratizing pressure […] was often decisive. Where countries' strategic or economic importance inhibited external pressure (e.g. Russia), […] even relatively weak regimes survived. Where Western leverage was high, such governments were more likely to fall. In these cases, turnover created an opportunity for democratization. […] However, in […] low-linkage cases, […] low organizational power was associated with unstable competitive authoritarianism.

– Steven Levitsky and Lucan Way, *Competitive Authoritarianism: Hybrid Regimes after the Cold War* (Cambridge University Press, 2010), 23–24.

of single-pyramid politics and regime cycles more generally."[102] Indeed, each of the three historical regions—firstly, the Western-Christian region with socialist countries outside the Soviet Union, secondly, the Orthodox region with European member states of the Soviet Union, and thirdly, the Islamic region with former member states of the Soviet Union in Central Asia—show a great deal of idiosyncrasy in this respect, and have been urged to different degrees to adapt to the institutional system of liberal democracy.

In the Western-Christian historical region, the former Central-East-European communist countries (now including the Baltic states) are bound to the economies of the EU member states through innumerable ties after having **entered the gravitational field of the European Union**. The change of direction in foreign trade had already begun by the seventies and only intensified after the change of regimes and the transition crisis. The dissolution of Comecon in 1991 was only a post-hoc acknowledgement of what had already *de facto* taken place. Economic reorientation was only further entrenched by the privatization of a decisive portion of state property, bringing Western capital into a favorable position everywhere (though to varying degrees). Then the expansion of the European Union between 2004 and 2013 also incorporated a decisive majority of those former socialist countries that had been outside of the Soviet Union, and all those that had historically belonged to the Western-Christian civilization.

A precondition for accession to EU (and also to NATO) was the establishment of a liberal democratic institutional system. Therefore, the only question for these countries was who would win the inner struggle between an imported and more or less domesticated Western institutional system and what many perceived as an Eastern culture weighed down by a communist past. Those optimistic in the outcome believed that shortcomings in the operation of the democratic institutional system, the provisions for human rights, or the proper managing of public finances were only temporary difficulties that could be handled through the control of EU institutions ("the stick") and the desired access to EU resources ("the carrot"). In terms of traditional corruption, Romania and Bulgaria seemed to be the most infected countries, but the consecutive governments of each state upheld their strong commitments to the EU. In contrast, democratic backsliding in general [→ 7.3.3], and the Hungarian autocracy in particular, signifies a challenge to those EU leaders trying to implant EU values in a state that its own leaders see as a "cash cow" there to be milked [→ 7.4.4.2, 7.4.6.2].

In the Orthodox historical region, for the European Soviet republics the regime change meant only a collapse of the communist power structure. This was followed not by the consistent development of liberal democratic institutions but rather a presidential system that gave only limited rein to democratic institutions. Even the development of such presidentialism was in some instances preempted—or accompanied during various crises—by weakening of stateness and the appearance of a sort of "oligarchic anarchy" in the wake of massive privatization [→ 2.5]. For them, the gravitational pull of the EU was faint, and where present—as in Moldova and Ukraine—it was used more to defend against what they saw as renewed Russian expansionism and empire-building than as part of any attempt to actually adopt the EU's liberal socio-structural values.

Finally, in **the former Soviet republics of Central Asia**, **post-communist regimes never entered the gravitational pull of Western liberal democracies** and thus they cre-

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[102] Hale, *Patronal Politics*, 457.

ated their own fields of power and continued on a separate orbit. Yet it would be a mistake to describe these countries merely in terms of their "deficiencies" with respect to the ideals of liberal democracy. We must face the fact of path dependence, or more precisely that there exist deeply influential, historically constituted value structures and civilizational patterns that limit the possibility of social-political transformation.

1.6. Beyond Hybridology: A Triangular Conceptual Space of Regimes

Staying on the conventional democracy-dictatorship axis of hybridology, we would be unable to reflect on the societal and rulership dimensions that the stubborn structures operate in. For **the conventional axis focuses on the level of impersonal institutions, whereas stubborn structures concern both that level and the level of personal connections**. Hence, such a dual-level approach [→ 7.3.4.1] is needed for the conceptualization of post-communist regimes, for it is only then that we can see regime as a phenomenon that encompasses the political, economic and communal spheres of social action.[103] To put it this way, the single-level approach of hybridology is able to assess the lack of separation of the branches of power in a political regime, but not the lack of separation of the spheres of social action that leads to it (among other things).

Following a dual-level approach, **it is possible to upgrade the hybridological approach with the insight of stubborn structures** by defining ideal type regimes and spanning a conceptual space for the conceptualization of polities with them. In line with our conceptualization methods, the typology in the literature of post-communism that is **the most suitable for upgrading is the conceptual continuum of János Kornai**.[104] As we mentioned in the *Introduction*, Kornai's work signifies a break with the transition paradigm when, in providing the typology of the institutional system of post-communist regimes, he defines democracy, autocracy and dictatorship as distinct ideal types.[105] Doing so, he proposes two sets of characteristics: primary ones (Table 1.5) and secondary ones (Table 1.6), which are in a hierarchical as well as causal relationship with each other. As Kornai writes, "primary characteristics determine the system as a whole, including secondary characteristics. The joint presence of the primary characteristics is a necessary and sufficient condition for the appearance of the secondary ones. […] A sensible first stage when beginning to study a country is to concentrate on these primary characteristics. The results of doing so will then have predictive force. However, the primary characteristics do not generate all the secondary ones in a deterministic way. The effect is stochastic. There is a very good chance of finding the secondary characteristics in a country examined if the primary characteristics have already been identified."[106]

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[103] For the definition we use throughout the book for "regime," see Chapter 2 [→ 2.2.1].

[104] Kornai, "The System Paradigm Revisited."

[105] Following Kornai, we will too use "autocracy" instead of terms like "authoritarianism," widespread in the literature of hybridology. Yet in Chapter 7 we will explain how we accept the typology of hybridology, too, as constituting one dimension along ten others in our framework [→ 7.2.2].

[106] Kornai, "The System Paradigm Revisited," 28.

Table 1.5. Primary features of ideal typical democracy, autocracy, and dictatorship. Source: Kornai (2019, 38).

No.	Democracy	Autocracy	Dictatorship
1	The government can be removed through a peaceful and civilized procedure	The government cannot be removed through a peaceful and civilized procedure	The government cannot be removed through a peaceful and civilized procedure
2	Institutions which concertedly guarantee accountability are well-established	Institutions which could concertedly guarantee accountability are either formal or weak	Institutions which could allow/guarantee accountability do not exist
3	Legal parliamentary opposition exists; multiple parties run for elections	Legal parliamentary opposition exists; multiple parties run for elections	No legal parliamentary opposition; only one party runs for elections
4	No terror (large-scale detention in forced-labor camps and executions)	No terror (large-scale detention in forced-labor camps and executions), but various means of coercion are occasionally used against political adversaries (imprisonment with false allegation, or even politically motivated murder)	Terror (large-scale detention in forced-labor camps and executions)

Table 1.6. Secondary features of democracy, autocracy, and dictatorship. Source: Kornai (2019, 39).

No.	Democracy	Autocracy	Dictatorship
5	No repressive means are used against parliamentary opposition	Repressive means are used against parliamentary opposition	No parliamentary opposition
6	Institutions of "checks and balances" are active and independent	Institutions functioning as "checks and balances" are weak and non-independent	No institutions have been created to act as "checks and balances"
7	Relatively few officials are appointed by the ruling political group	The ruling political group appoints its own cadres to virtually all important offices	The ruling political group appoints its own cadres to all important offices
8	Civil protest against the government has no legal boundary; strong civil society	Civil protest against the government has no legal boundary; weak civil society	Civil protest against the government is prohibited by law
9	Interested persons and their organizations take part in many forms and to relevant degrees in preparations for decision-making (significant levels of participation)	There are legal frameworks for participation but they are practically dysfunctional	Participation is not even formally prescribed
10	Freedom of the press is guaranteed by law, and is actually enforced	Freedom of the press is constrained by legal and economic means	No freedom of the press

Kornai's ideal types extend two conceptual continua: between democracy-autocracy and autocracy-dictatorship, and actual regimes can be placed nearest to the ideal type they are

the most similar to [→ *Introduction*]. As it can be seen in the two tables above, the ten variables Kornai offers for defining the three regime types **focus purely on political institutions**, that is, the sphere of political action. These include governmental institutions, checks and balances, the party system, elections, and various political freedoms from freedom of speech to the freedom of association and protest.

Table 1.7. Post-communist countries of Eurasia by political institutional system (as of 2019). Source: modified from Kornai (2019).

Democracies	Autocracies	Dictatorships
Albania, Bulgaria, Croatia, the Czech Republic, Estonia, Georgia, Kyrgyzstan, Latvia, Lithuania, North Macedonia, Moldova, Poland, Romania, Serbia, Slovakia, Slovenia, Ukraine	Armenia, Azerbaijan, Belarus, Hungary, Kazakhstan, Russia, Tajikistan, Turkmenistan, Uzbekistan	China, Vietnam

Naturally, no regime in reality meets all criteria of either ideal type. Using Kornai's ideal types as points of reference, however, we can classify post-communist countries, based on which ideal typical political system their regimes are the closest to. Table 1.7 shows the list resulting from this exercise. Yet in perusing the lists of the countries, in spite of the clear-cut criteria, a sense of uncertainty nevertheless is bound to prevail. For though the Western post-communist countries may be called democracies when compared to the post-communist autocratic regimes, if they are pitted against the Western liberal democracies, it becomes palpably clear that the natures of the democracies in question are dissimilar. More precisely, **sorting the countries into the three clusters of democracy, autocracy and dictatorship provides neat and homogeneous categorization according to the political sphere**, as defined by Kornai's ten variables. Indeed, Kornai did not want more than this, his declared purpose being the identification of alternative forms of politics and government."[107] But if we look at the countries **by their sociological and economic structures**, which collude with the political regime as spheres of social action in the post-communist region, **countries** in the same cluster **show a great deal of heterogeneity**. Indeed, **distinct regime types can be noticed**, between which not the apparent formal political institutional setup is the dividing line but the socio-economic structures presented above.

Utilizing the dual-level approach in general and the stubborn structures argument in particular, we can introduce **2–2 subtypes for each Kornaian ideal type**.[108] The grounds on which the difference can be established between democracies are to be found in the prevalent level of patronalism. A conceptual continuum can be drawn within the category of democratic countries from **liberal democracies** to **patronal democracies** on

107 Kornai, "The System Paradigm Revisited", 35.

108 Exact definition of the two times three ideal type regimes would require the exact definition and delimitation of their components, which will be done in Chapters 2–6. At this point, we can only give a broad description of the regime types, whereas a more accurate picture will be provided in Chapter 7 [→ 7.2.1].

this basis. In liberal democracies, the above-cited traits of democracies as set out by Kornai serve to **balance the formally defined civil institutions**, while in patronal democracies they strike a **balance between the competing informal patronal networks**. Dividing the democracy-autocracy continuum into a two-part continuum along these lines, countries like **Estonia and the Czech Republic would be found in the first continuum between liberal and patronal democracy**, relatively close to the liberal ideal type, while other countries like **Ukraine and Moldova would be on the patronal democracy-autocracy continuum** but rather close to the ideal type of patronal democracy [→ 7.3]. In the latter countries, what separates them from autocracies that feature a single-pyramid arrangement of power networks is that no patronal network has succeeded in consolidating a dominant, monopoly position in either country. Though attempts were made to establish one, social resistance limited the positions of the patronal networks claiming a monopoly on power and established a new dynamic balance between the various competing patronal networks [→ 7.3.4].

Similarly, we can define two subtypes of the Kornaian ideal type of autocracy as well: **conservative autocracy** and **patronal autocracy**. The mainstream hybridology approach in general and Kornai's concept of autocracy in particular are most satisfactory for the former type, for **a conservative autocracy embraces the invasion of political institutions and the monopolization of political sphere for political goals**, power and ideology, **while keeping the sphere of market action separated** from that of political action. (The only part of market action that it incorporates is state companies and media, that is, the parts which formally belong to the public sphere anyway.) An attempt at establishing such a conservative autocracy has been taking place since 2015 in Poland, where the concentration of power by Jarosław Kaczyński goes hand in hand with his goal of achieving hegemony of the collectivist "Christian nationalist" value system, while he himself is the head of a party but not a patronal network. Thus, although the liberal value system built on the autonomy of the individual is viewed as an enemy, Kaczyński has not built an adopted political family that would constitute a collusion of market and political spheres, oligarchs or systematic wealth accumulation. In contrast, **a patronal autocracy rests on the patronalization of the political and market spheres by an adopted political family**, achieving political monopoly and resultantly becoming the base of the single-pyramid patronal network in the country. In a patronal autocracy, the ideal typical stubborn structures prevail to the fullest: the state is patrimonialized and turned into the business venture of the adopted political family, managed through informal and personal ties in general and the instruments of public authority in particular. Close to this category, among others, are Vladimir Putin's Russia since 2003 and Viktor Orbán's Hungary since 2010, where both heads of the executive power are also the chief patrons of their respective single-pyramid networks.[109]

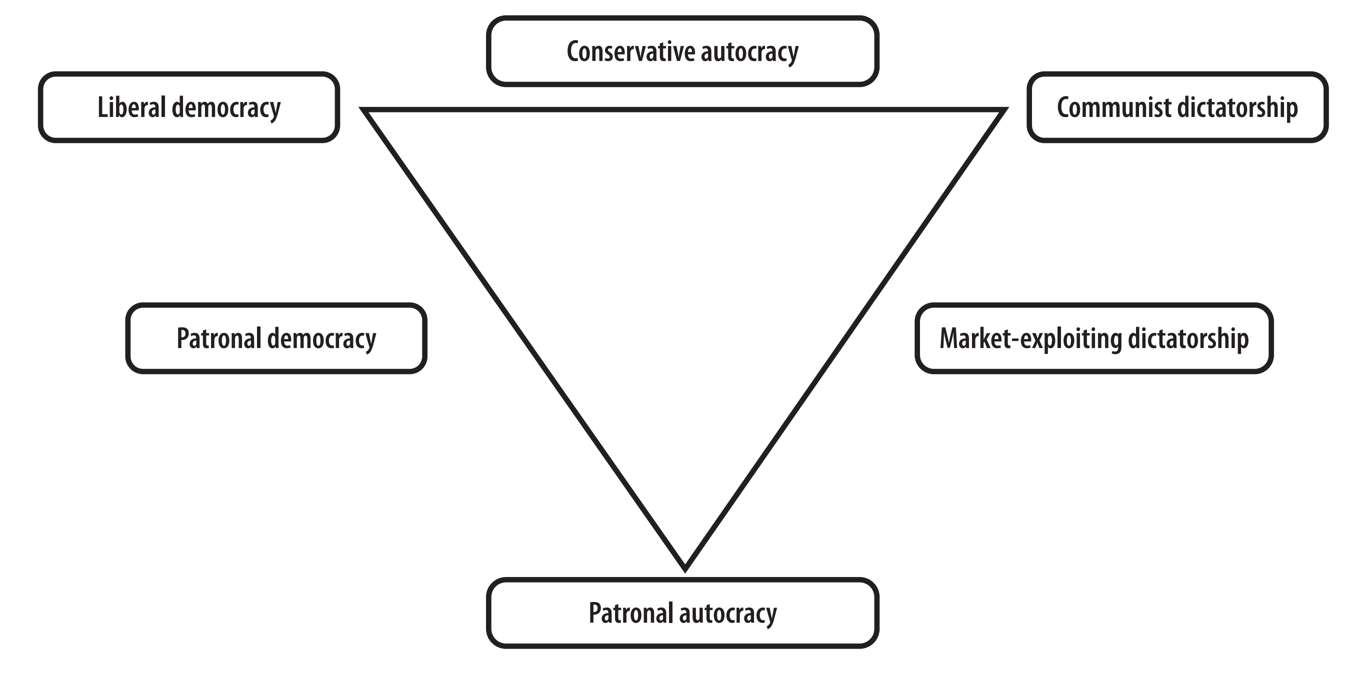
The two subtypes of Kornaian dictatorship are exemplified today by (1) North Korea, which is extremely close to the ideal type of **communist dictatorship**, **characterized by a total merger of the spheres of social action via the formal institutions of one-party dictatorship and monopoly of state property**, and (2) China, which provides the para-

[109] For a systemic comparison of the cases of Poland and Hungary, see Magyar, "Parallel System Narratives."

digmatic case for the ideal type of **market-exploiting dictatorship**.[110] The latter type **keeps the dictatorial setting of political institutions**, manifesting in all ten features of Kornaian dictatorship, **but at the same time it opens up its markets and tolerates a substantial private sector for political purposes** [→ 5.6.2]. Needless to say, the single-party public and capitalist private sectors are strange bedfellows and affect each other, resulting in peculiar ways of functioning. On the one hand, the party state is no longer totalitarian and features "plurality of decision-makers, organizations, and interest groups that are regularly involved in political decision-making," while it still remains authoritarian with a legal ban on opposition activities.[111] On the other hand, the private sector develops into a hybrid of free enterprise and bureaucratic coordination, with informal patronal networks prevailing within and outside the ranks of the one-party system.[112] Indeed, market-exploiting dictatorships can be seen as mature successors of the pre-regime change reform models of socialism, where private ownership was legally recognized by the communist states to a certain extent.

The conceptual space spanned by the six ideal type regimes is depicted on Figure 1.6. In this triangular framework, the three polar types are liberal democracy, patronal autocracy, and communist dictatorship, whereas the three further types halve the axes (sides) the polar types extend, in much the same way as autocracy does in Kornai's understanding between democracy and dictatorship.

Figure 1.6. A triangular conceptual space of regimes.



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[110] We are indebted to János Boris who coined this term. Also, mainstream literature classifies dictatorships as "totalitarian" and "authoritarian" (see Table I.1 [→ *Introduction*]) but "communist" and "market-exploiting" are better suited to our above-stated purposes.

[111] Heilmann, "3.8. Between Fragmented Authoritarianism and a Re-Concentration of Power," 191. Cf. Linz, *Totalitarian and Authoritarian Regimes*.

[112] For an analysis of informal networks in China, see Zhu, "Corruption Networks in China: An Institutional Analysis."

The triangular conceptual space lays the foundation for the rest of the book. The way we circumscribed the six ideal types above should be understood only as preliminary definitions, the completion of which requires an explanation of the machinery of these systems as well as a proper vocabulary. Chapters 2–6 are devoted to this, elaborating on the six regime types' ideal typical components and spanning homologous conceptual spaces. Indeed, we will show this visually in Chapter 7, where we give the actual definitions of the six ideal type regimes with the help of various patterns of the triangular space. In the end, the set of categories shall provide tools for the comparative analysis of post-communist phenomena, which result—directly or indirectly—from the stubborn structures presented in this chapter.

2. State



2.1. Guide to the Chapter

This chapter deals with **comparative conceptualization of the state**. It will unfold along the lines of Table 2.1, which contains much of the concepts that will be introduced, sorted according to the three polar types from the six ideal type regimes of the triangular conceptual space.

Table: 2.1. The state in the three polar type regimes (with the topics of the chapters' parts).

	Liberal democracy	**Patronal autocracy**	**Communist dictatorship**
RULING ELITE	constrained political elite	adopted political family	nomenklatura
	non-patronal network	informal patronal network	bureaucratic patronal network
	multi-pyramid system	single-pyramid system	single-pyramid system
	dominance of formal institutions	dominance of informal institutions	dominance of formal institutions
PRINCIPLE OF STATE FUNCTIONING	state subordinated to the principle of societal interest	state subordinated to the principle of elite interest	state subordinated to the principle of ideology implementation
	competitive, deliberative reconciliation of interests	realizing elite interest at the expense of societal interest	forcibly imposed postulated interest
	transparent/regulated cooperation and connections between public and private spheres	non-transparent / informal collusion of public and private spheres	subordination of private sphere to public sphere
	conflict of private and public interests	fusion of private and public interests	repression of private interests
STATE CONCEPTS	constitutional state	mafia state (clan state + neopatrimonial/neosultanistic state + predatory state + criminal state)	party state
	separation of powers	connected powers	merger of powers

The chapter starts out by introducing the most basic concepts of our framework, needed both for the development of a coherent conceptual framework in general and the state concepts to be defined in this chapter in particular. Part 2.2 includes, first, the definition of regime and state, which also requires the clarification of the way we are going to use terms such as "violence," "coercion," and "voluntary action." Second, in the same part we provide general definitions for the terms "elite" and "ruling elite," as well as a description

of the networks of ruling elites in the three polar type regimes. We will explain in what sense we use the terms "formal," "informal," "patronal" and "non-patronal," and describe the stratification of patronal pyramids in terms of their layers and tiers.

In Part 2.3, we provide a typology of the basic principles a state can run on. As we will show, the different principles of state functioning immediately define groups for the various labels that have been given to states in the literature. However, since this toolkit is developed primarily for the post-communist region, we mainly focus on the concepts that presume the so-called principle of elite interest (or the twin motives of power monopolization and wealth accumulation). Part 2.4 is devoted to these state concepts, some of which can be seen in Table 2.1 in the fifth cell for patronal autocracy. To create a logical ordering of the concepts that have been developed for such states but also used in a disorganized manner, we will use so-called interpretative layers, based on four key aspects of governance we will differentiate. Every state concept will be sharpened to refer to only 1–1 aspect of state functioning, so the resultant conceptual tools can be used as parts of the same analytical framework, allowing for the denomination and comparison of a great variety of states.

Having defined the monopoly of the legitimate use of violence as the fundamental feature of an ideal typical state, we devote Part 2.5 to the challenges to this monopoly. First, we describe state failure as it happened in the post-communist region after the collapse of the Soviet Union, leading to oligarchic anarchy in countries like Russia and Ukraine. Second, we provide a typology for the legitimate use of violence, also reflecting on the relationship between formal state actors and informal (and often illegal) actors of the criminal underworld, as well as the phenomenon of sub-sovereign mafia state.

Finally, Part 2.6 provides a summary that also extends the previous discussion in important ways. Building on Frye and Shleifer's often-cited article, "The Invisible Hand and the Grabbing Hand," we present six of the most important state types in the region in a comparative manner. This way, the similarities as well as differences of state types that are often confused—such as the mafia state and the developmental state—can be observed, while we can also discuss coordinated and uncoordinated predation in mafia states and failed states, respectively.

2.2. General Definitions: The Basic Concepts of the Framework

In this part, we introduce two sets of the book's most basic concepts. First, we define the concept of "state," with related terms such as "violence," "coercion," and "regime;" and second, we turn to the concept of "elite," with related terms like "ruling elite," "patron-client relationship," and "informality." While some of these terms sound self-explanatory, it is of paramount importance to clarify in which sense we use them. Indeed, many debates center around not the essence of the given phenomena but the use of terminology, while actually referring to the same essential features.

As we do not want to make a normative point but develop a toolkit of descriptive concepts, technically any definition could be used for anything—the point is to provide

useful, unambiguous means of expression [→ *Introduction*]. The reason we define these basic concepts the way we do is, first and foremost, to provide the groundwork for the rest of the toolkit. On the definitions given below, much of our framework can be coherently built, including the state concepts we elaborate on in the second half of this chapter, as well as the concepts defined in later chapters on actors, politics, economy, and society.

2.2.1. Regime, State, Violence, and Coercion

We generally define regime by Svend-Erik Skaaning's meta-definition, derived from various seminal works in the literature:[1]

- **Political regime (or simply regime)** is an institutionalized set of fundamental formal and informal rules structuring the interaction in the political power center and its relation with the broader society.

In contrast, we define the state, following Weber and Fishman,[2] as follows:

- **State** is the institution by which the ruling elite of a people exercises the monopoly of legitimate use of violence to extract, manage and distribute resources within the borders of a certain territory.

The relation between the two is that the definition of the state contains what the definition of political regime calls **"political power:"** the capacity to extract, manage and distribute resources by the use of violence. Therefore, **the state is none other but the political power center**, controlled by people who may be generally termed "ruling elite" and exercise power through the institutionalized set of formal and informal rules [→ 2.2.1].

There are two important concepts we need to define within the definition of the state. The first one is the **"use of violence,"** which is important particularly because it is related to the voluntary-coercive dichotomy we are going to use very often in the book. We define violence as follows:

- **Violence** is a type of action when a person damages the self or property of another person against their will.

When it comes to the "use of violence" by the state, that means that the offers made toward the people by the state, such as requests for money (taxation) or orders to behave in certain ways (regulation or laws), are backed by a threat of violence, that is, an intention to damage the self or property of the people against their will should they reject the offers. In other words, state offers are **enforced**, typically by a law enforcement agency (police).

The threat of violence used by the state is the most important form of **state coercion.** Yet **it is important to conceptually distinguish violence from coercion in general**. For

[1] Skaaning, "Political Regimes and Their Changes."

[2] Weber, "Politics as a Vocation"; Fishman, "Rethinking State and Regime."

equating the two, though possibly a legitimate philosophical position,[3] is inadequate for the descriptive purposes of our framework. For that would confuse two kinds of non-violent exchanges: when A accepts B's offer because (1) he expects to improve his original position (wealth, well-being etc.) and when (2) he does not expect to improve his original position but to avoid a greater deterioration of it. Simply put, an exchange in the former case is productive and in the latter case, unproductive: A does not choose a beneficial alternative but one that still harms him, albeit it is the lesser of two evils.[4] Offers for unproductive exchanges, which may be called **non-violent threats**, include, among other things, blackmail and existential threats, such as the threat of firing from a job that the employee has no similarly good alternatives of.

If a non-violent threat is accepted, it is only B's position that improves while A's position worsens, for he needs to serve B's end instead of serving his own. What needs to be observed here is that **the outcome is the same as in case of violent offers**. Indeed, if a person in A's role makes decisions on the basis of whether he can expect his position to improve or not, violent and non-violent threats are essentially the same for him, for they both imply the threat of inflicting harm on his original position should he not accept the offer. And as we are generally interested in social phenomena as they affect persons' behavior (social action), it is justified, for the purposes of our framework, to treat violent acts and non-violent threats together under the label of "coercion." This leads us to the following, broader definition:

- **Coercion** is a type of action when one man's actions are made to serve another man's will, not for his own but for the other's purpose. Compared to his original position, the person who receives the offer cannot benefit but can only choose between losing greater amount—by rejecting the offer—or losing a smaller amount—by accepting the offer.

This definition is the closest to, and partially incorporates, F. A. Hayek's understanding of coercion in *The Constitution of Liberty* (see Box 2.1). What Hayek calls "freedom," on the other hand, defined by him as **the absence of coercion**,[5] is what we call "voluntariness" or **voluntary action**. The **dichotomy of coercive and voluntary relations** is one of the key dichotomies of our book and it will serve as a key aspect to differentiate certain ideal types of institutions and relationships. Furthermore, after Weber, who defined **power** as the ability of a person to carry out his own will upon others despite resistance,[6] we can say that **coercion means the use of power** in a social relationship.

Besides the "use of violence," the other important concept we need to clarify in the definition of the state is **"legitimate."** We will deal with this question in great detail in Chapter 4, building on Weber's notion of legitimacy [→ 4.2.5].[7] To get a preliminary understanding, what needs to be emphasized here is that we use the word "legitimate" in the

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[3] Indeed, this is a popular libertarian position. See Rothbard, *The Ethics of Liberty*.

[4] Nozick, *Anarchy, State and Utopia*, 84–87.

[5] Hayek, *The Constitution of Liberty*, 57–61.

[6] Weber, *Economy and Society*, 53.

[7] Cf. Weber, 215–16.

descriptive sense, meaning that this kind of use of violence is **legitimized by its subjects, who accept the existence of state coercion as normal and proper**. This does not mean that the people cannot disagree with the ways how state coercion is used. Instead, the great majority accepts that (1) state coercion should exist, that is, the use of violence should be the monopoly of a single institution and (2) that state coercion should be used in some way. If this is not the case, there is no legitimacy and we cannot speak about a state.[8]

Conceptually, the relation of regime and state is clear: the state is the political power center of the regime, which in turn includes more than the state. Empirically, this distinction is not always so straightforward. **In Western political regimes**, or rather the ideal typical liberal democracies**, the distinction between the state and regime is clear because the sphere of political action is separated** explicitly from the spheres of market and communal action. But **the more the spheres of social action collude** (the less they are separated), **the more the boundary between state and regime becomes blurred**. Indeed, scholars have widely recognized the merger of state and society in the post-communist region, where after the regime change the newly founded states embraced and in some areas incorporated society, which became a secondary actor vis-à-vis the state.[9] No wonder that many analyses use "state" and "regime" as synonyms, and the terms which have been used to describe such countries often operate with the term "state" with some specifying adjective while trying to capture the essential features of a polity.

Box 2.1. Hayek's understanding of coercion.

"Coercion occurs when one man's actions are made to serve another man's will, not for his own but for the other's purpose. It is not that the coerced does not choose at all [. . .]. Coercion implies [. . .] that I still choose but that my mind is made someone else's tool, because the alternatives before me have been so manipulated that the conduct that the coercer wants me to choose becomes for me the least painful one. [. . .] Coercion clearly does not include all influences that men can exercise on the action of others. [. . .] A person who blocks my path in the street and causes me to step aside, a person who has borrowed from the library the book I want, or even a person who drives me away by the unpleasant noises he produces cannot properly be said to coerce me. Coercion implies both the threat of inflicting harm and the intention thereby to bring about certain conduct. [. . .] Though the coerced still chooses, the alternatives are determined for him by the coercer so that he will choose what the coercer wants. He is not altogether deprived of the use of his capacities; but he is deprived of the possibility of using his knowledge for his own aims. [. . .] Though the coerced will still do the best he can do for himself at any given moment, the only comprehensive design that his actions fit into is that of another mind."

– F. A. Hayek, *The Constitution of Liberty: The Definitive Edition*, ed. Ronald Hamowy, The Collected Works of F. A. Hayek (Chicago: University of Chicago Press, 2011), 199–201.

2.2.2. Elite, Ruling Elite, Patronalism, and Informality

2.2.2.1. Defining elites and non-elites

The notion of elites can be interpreted meaningfully only in comparative terms. For the existence of an "elite" must imply the existence of the "non-elite," that is, people who are part of the society but are outside elite circles. Elites, in the classical sense of the term, are defined as "the best" in some respect and the non-elites, as the ones who are worse than the elites.[10] A narrower definition, used in the mainstream literature, also assigns to elites the feature of having "more social weight than others because their activities have greater social

[8] Cf. Call, "Beyond the 'Failed State.'"

[9] For a meta-analysis, see Guliyev, "Personal Rule, Neopatrimonialism, and Regime Typologies."

[10] Keller, "Elites."

significance."[11] Such elites are typically observed as "tiny but powerful minorities [...] made up of autonomous social and political actors who are interested primarily in maintaining and enhancing their power."[12] In short, this second definition underlines that **the members of the elites have significant influence over the lives of the non-elites** and that they can also use this influence to attain their own ends, vis-à-vis the ends of the non-elites.
For the purposes of our framework, we give the following operational definition for elite and non-elite:

- **Elite** is a group of people, related or unrelated to each other, who are leading actors in their walk of life, that is, having greater influence over the lives of others in the same walk of life than the influence of those people over them. ("Those people" are the non-elite.) This leading position, stems from having extraordinary qualities, such as wealth, excellence, or high (formal) position in a hierarchy.

- **Non-elite** is a group of people, related or unrelated to each other, who are following actors in their walk of life, that is, having lesser influence over the lives of others in the same walk of life than the influence of those people over them. ("Those people" are the elite.) This following position stems from having ordinary or poorer qualities, such as lack of wealth or having a low (formal) position in a hierarchy.

The expression "walk of life" may refer to any part of the society, from its entirety to certain segments of the private or public sector. Indeed, the definition of "walk of life" is not an independent one but it is circular: whatever part of society, where some people have greater influence over the others than vice versa, can be analytically isolated as a walk of life, divided into the two general groups of the elite and the non-elite.

Following Vilfredo Pareto's classical theory of elites,[13] we can divide elite groups themselves into two general categories: non-ruling elites and the ruling elite.

- **Non-ruling elite** is an elite without coercive (state) authority. In other words, a non-ruling elite can exercise its influence over its walk of life only through non-coercive means, such as persuasion, leading by example, or market transactions. Typically, there are numerous non-ruling elites in a society.

- **Ruling elite** is an elite with coercive (state) authority. In other words, a ruling elite can exercise its influence over its walk of life—the society itself, living under the rulers' authority—through coercive means, such as law enforcement. Typically, there is only one ruling elite in a society.

That typically there is only one ruling elite in a society corresponds to the situation that a people or society lives under a single state, possessing a local monopoly of the legitimate

[11] Keller, "Elites," 26.
[12] Higley and Pakulski, "Elite Theory versus Marxism," 230.
[13] Pareto, "The Governing Elite in Present-Day Democracy."

use of violence. However, as we are going to see in later parts of the chapter, this is not necessarily the case. The state may fail to maintain its monopoly of legitimate violence and degenerate into a mere violence-managing agency among many, who are hired by people—legally or illegally—to provide protection and other violent services [→ 2.5]. In this case, we could speak about more than one ruling elite, although in the following discussion "ruling elite" will be used exclusively in the context of stable states to avoid confusion.

2.2.2.2. Patronalism, informality, and the general character of ruling elites in the three polar type regimes

While the members of an elite in general need not be related to each other in any sense, besides belonging to the same walk of life, **the members of the ruling elite are always linked**. For in a state, the access to coercive means is monopolized, and those who can access it must coordinate their activities. In fact, coordination (which implies the presence of links) is required to seizing power in the first place, both in cases of non-democratic takeovers and democratic transfers of power [→ 4.3.2].

On the basis of the stubborn-structures argument, **the two main aspects** by which ideal type ruling elites can be conceptualized for the post-communist region **are patronalism and formality** (Table 2.2). As for patronalism, we can define the dichotomy of patronal and non-patronal connections as follows:[14]

- **Patron-client relationship (patronal connection)** is a type of connection between actors where people are connected through vertical chains of command with a strong element of unconditionality and inequality in power. In a patron-client relation, one of the participants—the client—is a vassal (i.e., subordinate) of the other—the patron. A patronal connection is a coercive relationship, involving no free exit from the network (and often no free entry to the network either).

- **Voluntary relationship (non-patronal connection)** is a type of connection between actors where people are connected through horizontal relationships between equal parties. In a voluntary relationship, there is no vassalage (i.e., subordination) and no party is forced to obey another. A non-patronal connection is a non-coercive (voluntary) relationship, involving free exit as well as free entry.

In these definitions, the vertical-horizontal dichotomy is used, where the former refers to vassalage, subordination and asymmetric relationship and the latter, to the lack thereof. Defining these, we built on the notions of coercion and voluntariness introduced above, along which we also use the dimension of **freedom of exit** from the relation (network). This refers to whether the members of the network would face coercion should they leave the network (unfree exit) or they would not (free exit) [→ 6.2.1]. Although they can also be hierarchical, voluntary relationships feature free entry and exit in this sense, whereas patronalism implies a tyrannical hierarchy with no free entry and exit.

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[14] Eisenstadt and Roniger, "Patron-Client Relations as a Model of Structuring Social Exchange."

As for formality, we give the following operational definitions for formality and informality:

- **Formality** is a characteristic feature of a social connection and refers to having a legal and openly admitted form. In other words, an institution—that is, a humanly devised constraint that structures social interaction—is regarded as formal if its rules are written down, in congruence with effective law, and are made openly accessible to the majority of the population.

- **Informality** is a characteristic feature of a social connection and refers to not having a legal and openly admitted form. In other words, an institution—that is, a humanly devised constraint that structures social interaction—is regarded informal if its rules are not written down and are not made openly accessible to the majority of the population (therefore its rules may or may not be congruent with effective law).

Table 2.2. Main features of ruling elites in the three polar type regimes.

Constrained political elite (as in liberal democracy)	Adopted political family (as in patronal autocracy)	Nomenklatura (as in communist regime)
non-patronal network	informal patronal network	bureaucratic patronal network
multi-pyramid system	single-pyramid system	single-pyramid system
dominance of formal institutions	dominance of informal institutions	dominance of formal institutions

Indeed, formality or informality of institutions can be simplified—for the purposes of our framework[15]—to **whether they have a form that is legally recognized**. Primarily, the state and the ruling elite that is legally authorized to use state power are formal as far as their position is legally defined, whereas if a political, economic or societal actor fulfills roles that are not legally recognized then (1) they are regarded informal as far as those roles go and (2) the institution that involves that legally non-recognized, unwritten role is also regarded informal. As for "institutions," we use the term in the sense it appears in the definitions: humanly devised constraints that structure social interaction and generate regularities of behavior.[16] To be more precise, "humanly devised constraints" include regulations (*de jure* rules), actual practices (*de facto* rules), and narratives (storytelling),[17] although we will use the concept in a broader sense for formal and informal elite groups, governments and state agencies as well.

Applying the above-defined dichotomies to ruling elites, we should first differentiate **two types of ruling elites**—non-patronal and patronal:

[15] For a literature review and more overarching understanding of informality, see Ledeneva, *The Global Encyclopaedia of Informality*, Volume 1:1–5.

[16] North, "Institutions"; Greif, *Institutions and the Path to the Modern Economy*.

[17] Lowndes and Roberts, *Why Institutions Matter*.

- **Patronal ruling elite** is a ruling elite where the members are connected, formally or informally, through patron-client relations. The patronal ruling elite takes a pyramid-like structure of obedience (single-pyramid system), every member being part of a hierarchy subordinated to the chief patron.

- **Non-patronal ruling elite** is a ruling elite where the members are connected, formally or informally, through voluntary connections, that is, horizontal relationships between equal parties. The non-patronal ruling elite is composed of numerous factions with certain degrees of autonomy (multi-pyramid system), avoiding the authoritarian rule of a single leader.

In a liberal democracy, the ruling elite is non-patronal. Stemming from the definition of constitutional state [→ 2.3.2], numerous autonomous factions exist, usually within the governing party but certainly within the state, in the form of separated branches of power [→ 4.4.1]. The autonomy of the latter is guaranteed by the constitution, whereas the autonomy of factions within the governing party can be guaranteed by the plurality of resources, that is, that the party leadership cannot possess every available resource, economic or political. Indeed, in liberal democracies there is **"open access" to political and economic resources**, to use the expression of Douglass North and his colleagues from *Violence and Social Orders* [→ 2.4.6, 6.2.1]. As they write, in regimes like liberal democracy "political parties vie for control in competitive elections. The success of party competition in policing those in power depends on open access that fosters a competitive economy and the civil society, both providing a dense set of organizations that represent a range of interests and mobilize widely dispersed constituencies in the event that an incumbent […] attempts to solidify its position through rent-creation, limiting access, or coercion."[18]

What is possible even in this ideal typical model is that, within a liberal democratic regime, certain segments of the state are captured temporarily where the capturer, gaining access to coercive (state) means, becomes an (informal) part of the ruling elite and the captured one becomes his vassal. In such cases, the capturer-captive relation takes the form of a patron-client relation. However, such phenomenon can only be partial and, more importantly, it features only a **patronal chain**, not a patronal network. For the latter includes, by definition, a large number of patronal chains, organized in a pyramid-like fashion.[19]

Since factions themselves usually have internal hierarchies, they can be described as "pyramids," whereas **a high number of competing factions, a "multi-pyramid system."**[20] In contrast, both communist dictatorship and patronal autocracy are characterized by **single-pyramid systems of patronal ruling elites.** As Hale writes, in single-pyramid systems the main networks of power "are gloomed together to constitute a single 'pyramid' of authority under the chief patron who is usually regarded as the country's leader, and any

[18] North, Wallis, and Weingast, *Violence and Social Orders*, 111. While this statement is largely correct, especially for ideal-type regimes, we will discuss a more complex view of the cooperation of political and economic elites in Chapter 5, too [→ 5.3].

[19] Hale, *Patronal Politics*, 19–22.

[20] Hale, *Patronal Politics*, 21. We use the adjective "multi-pyramid" in various contexts, but always with the same meaning: that no social group dominates over all the other groups.

networks remaining outside this pyramid are systematically marginalized, widely regarded as unable to pose a credible challenge to the authority of the dominant group."[21]

In a **communist dictatorship**, the single-pyramid is built on two pillars. First, the aim of the Marxist-Leninist party to engineer society by the means of state coercion, from which it follows that the bureaucratization of society and that the single-pyramid itself is, too, a **bureaucratic network**. Second, the state party monopolizes all the available resources and creates a merger of powers, which means no other pyramids are viable in such a system, nor any member of the ruling elite can be outside of the party state and its formal institutional setup. The **nomenklatura**, as the ruling elite of communist dictatorships is commonly called, is **a register of ruling positions**, including party positions—the political decision-makers on national and local level—and administrative positions—decision-makers in state companies and other places where central plans are executed.[22] For the allocation of economic and political resources for people on the lower levels is centralized at higher levels [→ 5.6.1], a strong element of inequality in power appears between members of the hierarchy indicating the presence of patron-client relations in a bureaucratic form. Informal networks of patronage also form along these formal positions, and informal connections cannot provide more power to someone than what he is given as a link in a bureaucratic patronal chain of the network.

In the nomenklatura, it is formal positions that exist primarily and chosen people are assigned these positions secondarily. In other words, the bureaucratic setting is more permanent than the list of the people who are chosen to fill it. In the ruling elite of **patronal autocracies**, the case is the other way around. For it is the patronal network, the so-called **adopted political family** and **its members, which are primary**. In fact, the network typically comes into being outside the state **and once power is seized, formal positions are tailored to the family or the wishes of its members.** Therefore, the adopted political family is the point of reference, and it is the list of people within the patronal hierarchy that is more permanent than the formal institutional setup. While in the nomenklatura, where positions are primary, one person is usually assigned to one single position on a certain level of the bureaucratic hierarchy, a member of the adopted political family can have many different positions on various levels of the formal hierarchy.

This leads us to focus on the second dichotomy of formality and informality. **The adopted political family is a largely informal phenomenon**, meaning not only that its effective hierarchy is situated outside (or above) the formal institutions of the state, but also that the adopted political family has no legal form. The actual decisions are removed from the—nevertheless strictly controlled—bodies of the "ruling" party and, through the chief patron, transferred to the patron's court, which lacks formal structure and legitimacy [→ 3.3.2]. Patron-client relations, keeping the network together and making the power of the chief patron effective, exist not in a bureaucratic form but out of similar reasons as they do in communist dictatorships—namely, "the monopolization by the patrons of certain positions that are of vital importance for the clients."[23] This relates primarily to political resources—the public sector—but it also extends to economic resources—the private sec-

[21] Hale, *Patronal Politics*, 64.

[22] Voslensky, *Nomenklatura*.

[23] Eisenstadt and Roniger, "Patron-Client Relations as a Model of Structuring Social Exchange," 50.

tor. The adopted political family also uses state coercion as its primary means; however, the branches of power are formally separated, and only informally connected in a patronal autocracy [→ 4.4.3]. Through the full appropriation of the state as well as the arbitrary and unconstrained use of the instruments of public authority, the informal patronal network reaches down to virtually every level of the society.[24]

The informality of the adopted political family is **different from the informal phenomena associated with communist and democratic ruling elites**. As we mentioned earlier, informal relations did exist between the members of the nomenklatura in communist dictatorship, including personal relations, informal oral commands and handshake agreements [→ 1.4.1].[25] In liberal democracies, informality appears on the level of elites in three forms: (1) informal relations, like acquaintance and friendship which contribute to the integration of political and economic elites;[26] (2) informal agreements, particularly ones concluded prior to formal (e.g., parliamentary) debates;[27] and (3) informal norms, like mutual toleration and institutional forbearance, which have been noted as essential to the healthy functioning of liberal democracy and its resilience against autocratic tendencies.[28] Such informalities are different from the informality of the adopted political family, **for in liberal democracies and communist dictatorships**:

- **informality exists around formal institutions**, meaning (1) informal relations presuppose the formal rank of the actor, that is, they are formed between formal actors *qua* formal actors, and informal relations do not give them extra political competences or power their formal position does not entail (especially in communist dictatorship), (2) informal norms help the functioning of formal institutions as they indeed mean routinization of a cultured "best practice," ingrained in informal patterns of behavior (especially in liberal democracies), and (3) informal networks in the elite do not reach beyond the boundaries of the formal institutional setting (equally important in both regimes). Therefore, formality has supremacy over informality. **In contrast, in patronal autocracies informality overrules formal institutions**, meaning (1) informal relations do not presuppose the formal rank of the actor and may enable someone with no political position to have political power, (2) informal networks use formal institutions to the extent they are needed, but otherwise informality replaces formality as the primary determinant of power, law and elite behavior, and (3) informal ties are between those *with* as well as *without* formal power, and the resultant network extends beyond the boundaries of the formal institutional setting;
- **informal agreements do not deprive formal bodies of their *de facto* decision-making role** and decision-making remains within the confines of formal bodies. This is obvious in the case of communist dictatorships, where the subject

[24] Lakner, "Links in the Chain."

[25] Ledeneva, *Can Russia Modernise?*, 30.

[26] See, respectively, Moore, "The Structure of a National Elite Network"; Heemskerk and Fennema, "Network Dynamics of the Dutch Business Elite."

[27] Reh, "Is Informal Politics Undemocratic?"

[28] Levitsky and Ziblatt, *How Democracies Die*. On autocratic tendencies, see Chapter 4 [→ 4.4.1].

of Kremlinology was precisely the informal relations within the nomenklatura and between the party leaders, and no informal positions of power held by people outside the nomenklatura existed. In liberal democracies, when agreements are concluded prior to formal debates and therefore outside the formal bodies, the point is secrecy, that is, keeping the real motives and bargains from the public. But those who make the decisions *de facto* and *de jure* are the same: the same people who have formal right to decide make the informal deals as well (in line with the previous point). **In contrast, in patronal autocracies formal decision-making bodies become transmission-belt organizations**, deprived of real power in favor of the adopted political family. One set of informally connected people make the decisions, some (a) with *de jure* political power but reaching beyond their formal competences (like a president/prime minister chief patron) and some (b) without *de jure* political power (like inner-circle oligarchs [→ 3.4.1]), while those who represent and vote on these decisions in the formal (transparent) institutional realm are dominantly political front men, who do not take decisions but simply manage the decisions taken by the political family [→ 3.3.8];

- **informal norms are respected but are typically not coercive**, meaning those who do not respect an informal norm might be regarded as strange or subversive,[29] and people may not want to associate with them, but no one is forced into following an informal norm (especially in liberal democracies). Similarly, informal intra-elite relations in liberal democracy may be friendships or acquintances, which are not coercive hierarchies between formally independent elite actors. **In contrast, informal relations are coercive in the adopted political family** as they indeed embody patron-client relations, enforced by the chief patron through the instruments of public authority (selective law-enforcement as well as discretional state coercion and intervention [→ 2.4.6, 4.3.5, 5.4]).

Throughout the book, our primary concern when speaking about informality will be **informal practices**, defined by Ledeneva as "an outcome of players' creative handling of formal rules and informal norms—players' improvisation on the enabling aspects of these constraints. [Informal practices are] regular sets of players' strategies that infringe on, manipulate, or exploit formal rules and […] make use of informal norms and personal obligations for pursuing goals outside the personal domain."[30] In liberal democracies, informal practices appear as deviances, such as in case of voluntary corruption [→ 5.3.2.2] and democratic legalism [→ 4.3.5.3]. Informal practices in patronal autocracies appear as constituting elements, as in case of coercive corruption [→ 5.3.2.3], politically selective law enforcement [→ 5.3.2.2], and making law in general conditional upon its congruence with an informal "shadow norm" [→ 4.3.4.2].

To sum up, we can see that in both **liberal democracy** and **communist dictatorship** there is a **dominance of formal institutions**, be they party or state, single- or multi-pyramid systems. In contrast, a **patronal autocracy** is characterized by a **dominance of infor-**

29 Levitsky and Ziblatt, *How Democracies Die*, 72–96.

30 Ledeneva, *How Russia Really Works*, 20–22.

mal institutions. To be more precise, we may adopt the term "informal organization" from Levitsky and Gretchen Helmke,[31] which refers to an informal entity that (1) is organized into a network and (2) has a different identity from formal institutions. Thus, in a patronal autocracy what we can see is indeed the supremacy of one specific informal organization—the informal patronal network of the ruling elite, that is, the single pyramid of the adopted political family.

2.2.2.3. Stratification of patronal pyramids: one-tier and multi-tier single-pyramids

While power is concentrated in the hands of their top leadership, **single-pyramid arrangements do have an internal stratification**. First, they have a certain **hierarchy**, which—as their name suggests—is a pyramid-like construct with the most powerful actor at the top and the least powerful actors at the bottom. However, it is not the actors who are in a strict descending order of power but rather the **layers** of patronal hierarchy. Each layer consists of equals in terms of power,[32] and, in a pyramid-like fashion, the least powerful but most populous layer is at the bottom, the second least powerful and most populous one is one-level higher, and so on until the top layer. Indeed, the top layer is the only one where there are no equals but only the top patron, whose power is unique and unmatched ideal typically [→ 4.4.3.2]:

- **Top patron** is the head of a patronal network. He is singularly powerful, meaning there is no one like him in the network in terms of power and influence over the network's members.

When we talk about a **single-pyramid arrangement**, the top patron will be called **chief patron** [→ 3.3.1]. Subordinated to the top patron, there are also sub-patrons who constitute the links between the layers of the patronal hierarchy:

- **Sub-patron** is a client of the top-patron who also has clients below him in the same patronal hierarchy. There are equals to the sub-patron, meaning his power is matched by others in the network, although he typically has clients who answer only to him (besides the chief patron, ultimately).

Turning to ruling elites and single-pyramids, **in communist dictatorships every layer is formal** and there is a strict, legally binding hierarchy that is expressed in the nomenklaturists' formal ranks.[33] In contrast, **the layers in patronal autocracy are informal** and the formal ranks of the members of the adopted political family do not necessarily express their *de facto* position in the informal patronal network. As for *de facto* position, while there may be several layers of adopted political families, **the most important line of division is between those with direct contact to the chief patron and those with no direct contact**.

31 Helmke and Levitsky, "Informal Institutions and Comparative Politics."

32 Hale, *Patronal Politics*, 21.

33 Voslensky, *Nomenklatura*.

Given their personal relationship, the former have more power and influence over the top patron as well as the whole patronal network than the latter (the layer of people with direct contact is to be called the **patron's court** [→ 3.3.2]). For example, Stanislav Markus analyzes Russian chief patron Vladimir Putin's network and differentiates three important groups: (1) Putin's personal friends ("connected to him through the Ozero dacha cooperative, his hobbies, and his career"); (2) the so-called *silovarchs* ("business elites who have leveraged their networks in the FSB (Russian Federal Security Service) or the military to amass extreme personal wealth"); and (3) outsiders ("super rich […] who are not personally connected to Putin, the military, or the FSB").[34] Although all of these groups are important and enjoy the privileges of belonging to a single-pyramid patronal network, they are different in terms of proximity to power and therefore (1) influence over Putin's decisions and (2) access to economic resources [→ 6.2.1].[35]

Inside the single-pyramid, **competition exists within and perhaps between layers but not toward the chief patron**. In an adopted political family, the sub-patrons are subordinated to the principle of elite interest and try to capture as many political and economic resources as they can, and the equals at every level of the patronal hierarchy compete with each other in a zero-sum game.[36] But **they must not challenge the chief patron**. The chief patron allows competition between his clients, who can mobilize their own clients and use (state) resources in the domain that they are assigned to manage.[37] However, over every action the chief patron has a "veto right," that is, he can intervene with the means of public authority, whereas challenging him counts as disloyalty which is always avenged [→ 3.6.2.4]. This is different from bureaucratic single-pyramids because, while challenging the top patron, the general party secretary, is certainly forbidden there, too, it is not disloyalty to his person that is punished but disloyalty to the state party [→ 3.3.5].

Besides layers, single-pyramid networks may also have **tiers**. Simply put, a tier refers to relative autonomy. In so-called **multi-tier single-pyramids**, a patron on the lower-tier (1) is in a subordinate position to the top patron of the upper tier—that is, the chief patron—but (2) he has his own network of clients and he can dispose over them as well as over the political and economic resources of a (local) government with practically no interference. Naturally, he yields resources and compliance to the top patron but, in return, he enjoys significant autonomy within his own domain. Charles Tilly refers to this kind of relationship as **brokered autonomy** [→ 5.3.4.2].[38] Multi-tier single-pyramids **exist primarily in patronal autocracies with large territory**—like Russia—whereas in smaller patronal autocracies—like Hungary—**a one-tier single-pyramid** exists with no lower level in a brokered-autonomy status [→ 7.4.3.1].

[34] Markus, "The Atlas That Has Not Shrugged," 101–2.

[35] Lamberova and Sonin, "Economic Transition and the Rise of Alternative Institutions."

[36] Cf. Markus, *Property, Predation, and Protection*.

[37] Markus, "The Atlas That Has Not Shrugged," 105–7.

[38] Tilly, *Trust and Rule*, 32.

2.3. The Dominant Principle of State Functioning

2.3.1. Societal Interest, Elite Interest, and Ideology Implementation

The ruling elite is the central actor of the state. From this, it follows that the direction of state action is defined by the ruling elite's actions, grounded in certain motivations of rulership. Distinguishing ideal type motivations, we can define **subtypes of the state**, each of which is led by a ruling elite running on a specific motivation. Naturally, political actors of a regime can have various goals, but we can—at least for the purposes of our definitions—identify general, overarching principles, some pursued value or common interests, which bind the ruling elite together. More precisely, as certain elite factions may even contradict the acts of other public actors or factions, what we define are not simply general but dominant principles, that is, the one that fits to most actions of the state (the ruling elite). This is what we call the **dominant principle of state functioning**. Defining state subtypes, the role of the dominant principle can be understood as if it was the ruling elite's "constitution," meaning the fundamental character of their behavior can be derived from it, and therefore also the fundamental features of their states, which their actions define (as central actors).

There are **three ideal type principles** we define as the combinations of certain features (Table 2.3). First, there is the principle of societal interest:

- **Principle of societal interest** is a dominant principle of state functioning, where the ruling elite aims at using political power to realize values (an ideology) but does not aim at exclusively possessing it (no power monopolization). In this principle, the ruling elite focuses on societal groups outside of the political sphere and state action manifests dominantly in enhancing the interests of such groups (their wealth, power, liberty etc.).

For the sake of practicality, we define **"interest"** in this context as the provision and enhancement of what philosopher John Rawls puts in the category of primary goods, which every man can be presumed to have an interest in. These include income and wealth, physical security, basic rights and liberties, the powers of offices and positions of responsibility etc.[39] The **"societal interest"** means (1) the provision of basic rights and liberties for the entire population and (2) serving the material interest of some social groups outside the ruling elite (that is, non-political societal groups: economic classes etc.) which the rulers decide to prioritize through the state. In other words, societal interest consists of the **particular interests** of certain groups of society. Which groups are to be prioritized is defined by the respective actors' **ideology,** which we simply define as a belief-system voiced by political actors about the proper functioning of society [→ 6.4]. Putting them together, we claim that where the dominant motivation of the ruling elite is to realize an ideology but it does not try to possess power exclusively, that means it operates the state by the principle

[39] Rawls, *Justice as Fairness*, 58–59.

societal interest. For (1) the lack of exclusive possession of power means pluralism, and from the acceptance of pluralism (i.e., the lack of aiming at exclusivity) the provision of basic rights and liberties for the whole population follows [→ 4.2.2], and (2) an ideology entails a vision about the proper functioning of society, from which certain state actions follow which prioritize social groups outside the ruling elite [→ 4.3.4.1].

Table 2.3. Ideal type principles of state functioning.

	Ideology (aiming at using political power to realize values on social level)	**Power monopolization** (aiming at exclusively possessing political power)	**Personal-wealth accumulation** (aiming at using political power for personal enrichment)
Principle of societal interest	X	–	–
Principle of elite interest	–	X	X
Principle of ideology implementation	X	X	–

The second ideal type principle is the principle of elite interest:

- **Principle of elite interest** is a dominant principle of state functioning, where the ruling elite aims at exclusively possessing political power (power monopolization) and using it for personal enrichment (personal-wealth accumulation). In this principle, the ruling elite focuses on itself, that is, the political sphere, and state action manifests dominantly in enhancing the interests of the rulers (their wealth, power, liberty etc.).

The dichotomy of societal and elite interest has been present in political science since Aristotle.[40] In a more recent work, North distinguishes in existing literature the "contract theory" of state, where "the state plays the role of wealth maximizer for society," and the "predatory theory" of state, where the state maximizes "the revenue of the group in power."[41] In our understanding, the elite interest is served and the state runs on the principle of elite interest when:

1. **the ruling elite tries to exclusively possess political power (power monopolization and centralization)**, involving (a) the extension of formal and informal influence over the political sphere, and (b) ensuring unchallengeability, breaking

40 "[Men], even when they do not require one another's help, desire to live together; not but that they are also brought together by their common interests in proportion as they severally attain to any measure of well-being. This is certainly the chief end, both of individuals and of states. […] The conclusion is evident: governments which have a regard to the common interest are constituted in accordance with strict principles of justice, and are therefore true forms; but those which regard only the interest of the rulers are all defective and perverted forms." Aristotle, *Politics*, 60.

41 North, *Structure and Change in Economic History*, 22.

autonomy and/or power of competing actors so they cannot hinder the leader in exercising political power;

2. **the ruling elite uses the unconstrained power to enhance its wealth (personal-wealth accumulation),** involving (a) enriching themselves, or in the case of patronal autocracies the members of the adopted political family, and (b) enriching those who can be vassalized, that is, with whom the ruling elite (and especially its top leader) can establish a lasting patronal relationship of dependence.

It needs to be seen that **power monopolization and personal-wealth accumulation are twin motives: they can hardly be separated** or even put in a hierarchical order. For power is necessary to accumulate wealth [→ 5.3.2] and wealth is put in use to maintain power [→ 5.3.4.4]. No wonder the Russian literature speaks about power&ownership *(vlast&sobstvenost)*, referring to the fact that, **in the post-communist region there is no power without ownership and there is no ownership without power**.[42] The two go hand in hand, and the two cannot be separated in short of a non-wealth accumulation focused ideological program. Moreover, such a ruling elite can be described as **not ideology-driven but ideology-applying** [→ 6.4.2]. It might communicate an ideology, a vision about the proper functioning of society, but the actions of the state cannot be derived from it. Therefore, we cannot treat the communicated ideology as the dominant principle of state functioning.[43] Rather, the actions of a state with such a ruling elite can be explained by a focus on itself, using the instruments of public authority to serve this single particular interest. In a state subordinated to the principle of elite interest, the ruling elite abuses political power for its private gain [→ 5.3] and tries to eliminate pluralism in order to preserve its monopoly of political power [→ 4.4.3].

Although we are going to elaborate on this issue in Chapter 6, it is important to stress at this point that, for us, **the ideology-driven nature of a ruling elite is not a psychological issue but a sociological issue.** Our claim that a system is ideology-applying does not mean that the rulers do not "believe" in what they say—a claim that could hardly be verified, given we cannot get into the rulers' heads.[44] What we do claim, however, is that a system is ideology-driven only when an ideology fulfills the definition of a dominant principle—that is, that the main features of the state can be derived from it. As we will see, there are states where this criterion is fulfilled by an ideology, like communist dictatorship, where the main features of the regime follow from the basic tenets of the ideology of Marxism-Leninism [→ 4.2–3, 5.5.1]. But the main features of states subordinated to the principle of elite interest do not follow from the ideology they communicate, therefore we—again, from the point of view of descriptive sociology—cannot treat them as ideology-driven but only ideology-applying.

Indeed, when one tries to interpret the ruling elite's actions by the ideology it communicates, he is no less biased than one who tries to interpret it by a supposed elite interest. Both standpoints are based on presumption: the former one's presumption is that the given elite tries to implement an ideology (to serve the "common good"), while the latter one's,

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[42] Ryabov, "The Institution of Power&Ownership in the Former USSR"

[43] Madlovics, "A maffiaállam paravánjai."

[44] Madlovics, "A maffiaállam paravánjai," 317–21.

that the elite wants to accumulate power and wealth (to serve their own private good). Which presumption is deemed "genuine" or "malicious" is irrelevant, as we are working with positive and not normative terms [→ *Introduction*]. What is relevant is which presumption is justifiable. If a ruling elite that dominantly accumulates wealth and power, or a state can be best approached by an ideal type based on elite interest (e.g., the mafia state [→ 2.4.5]), then presumes the principle of elite interest is justified, whereas the standpoint that accepts the ideological goals (and constantly explains that the state "makes policy mistakes" as it actually "deviates" from the goals) is unjustified. However, if the ruling elite dominantly focuses on the society and tries to reform it along the lines of an ideology, we can presume the principle of ideology implementation:

- **Principle of ideology implementation** is a dominant principle of state functioning, where the ruling elite aims at exclusively possessing political power (power monopolization) and using it to realize values (an ideology). In this principle, the ruling elite focuses on societal groups outside of the political sphere but state action does not manifest in serving the societal interest.

While both involve ideology-driven ruling elites, the principle of ideology implementation is not the same as the principle of societal interest because it does not secure the basic rights and liberties of the people.[45] More precisely, the particularity of **the principle of societal interest** is that **the content of societal interest** (that is, which particular interests are to be served by the state) **is decided in an open**, transparent and formalized **process of public deliberation** and negotiation, involving every interested group of the society [→ 4.3]. In other words, under this principle what is enforced is the **self-defined societal interest**, reached as a result of the competition of various (particular) interests of the groups of society. The role of the state is to provide a neutral framework for the reconciliation of interests [→ 4.2.2]. On the other hand, **in the principle of ideology implementation the direction of state action is arrived at in a closed**, non-transparent and sometimes informal, **process of centralized decision-making**. Thus, under this principle what is defined is a kind of **postulated interest**, reached as a result of the internal decisions of the ruling elite and the subjects of which are withdrawn from the scope of disputable issues. The role of the state in this model is to define the interest of the people, to which it uses an ideological framework prescribing the rulers' vision about the proper functioning of society. This vision as well as the society's postulated interest is then forced on the people through the state, which gives them no say in how their life is governed [→ 4.3].

Every principle of state functioning entails a specific relationship between the public sphere—the rulers and the apparatus of the state**—and private sphere—**the rest of the society. In states which run on the principle of **societal interest**, we can see a **transparent/regulated cooperation and connection** between the two spheres, which should always result in a conciliatory decision for the concerned groups. As under this principle public

[45] Some dictatorships in the 20th-21st centuries have shown that they can enhance the material well-being of the people, though not as efficiently as democracies and without serving societal interest in terms of basic liberties. See Acemoğlu and Robinson, *Why Nations Fail*.

officials are expected to put societal interest ahead of their own (elite) interests, we can speak about a **conflict of interests** between those in the public and the private sphere. In the principle of **elite interest**, it is the **non-transparent and informal collusion** of public and private spheres that can be observed, bringing about a **fusion of public and private interests**. Finally, when it comes to **ideology implementation**, the **private sphere gets subordinated to the public sphere**, for the former has no word in the decisions made and implemented by the latter. This can also be termed as a **repression of private interests**, that is, the private sphere itself [→ 5.3.5].

2.3.2. States in Democracies and Dictatorships: from Constitutional State to Party State and from Night-Watchman State through Welfare State to Developmental State

Using the above-defined principles, we can define ideal type states of the polar type regimes, as well as start organizing the state concepts that have been used in the literature with great variation.[46] In a **liberal democracy**, the ideal typical state may be called a "constitutional state," following the German notion of *Rechtstaat*:[47]

- **Constitutional state** is a state that is subordinated to the principle of societal interest and is led by a constrained political elite, its primary constraint being the separation of branches of power and the liberty and autonomy of societal groups, guaranteed by the constitution.

This definition is inspired by the mainstream understanding of constitutionalism and the rule of law, on the one hand [→ 4.4.1.1], and by the Madisonian theory of competing factions controlling each other, on the other hand [→ 4.4.1.2]. Furthermore, the definition incorporates the idea of **separation of powers**, that is, the constitutional separation of the executive, legislative, and judicial branches [→ 4.4.1.1].

In contrast, we can observe a **merger of powers** in a **communist dictatorship** where all branches are formally subordinated to the Marxist-Leninist state party [→ 3.3.8]. Accordingly, the state in a communist setting can be called a "party state."

- **Party state** is a state that is subordinated to the principle of ideology implementation and is led by the party of the ruling elite that is completely interwoven with the state. A party state is totalitarian, which means that (1) no other components of the regime have autonomy and (2) its rulers are not constrained by other components.

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[46] There are state concepts that cannot be interpreted as reflecting on a feature of rulership, such as the concept of "petro state" which is used for states with many natural resources. Indeed, that concept refers not to a regime-specific but to a country-specific feature, and we are going to elaborate on those only in a later chapter [→ 7.4].

[47] For a meta-analysis, see Tamanaha, *On the Rule of Law*, 114–26.

In general, we can say that **the principle of societal interest is associated with democracies, whereas the principle of ideology implementation is associated with dictatorships**. Indeed, it is one of the main features of dictatorships vis-à-vis democracies that the monopoly of political power is held by a single entity (party etc.) that cannot be challenged; that is, the basic rights and liberties of the people are suppressed [→ 1.6].

Yet both constitutional state and party state are rather broad concepts, because they do not specify precisely which ideologies the ruling elites follow. Focusing on this aspect, that is, the types of **public policies** [→ 4.3.4.1] these states undertake, we can define several subtypes of states that prevail among democracies and dictatorships. Using the concepts which refer to such states in existing literature, we can put up a scale from states that perform only the fundamental functions of police, courts, and national defense—that is, the so-called **night-watchman state**—through states which provide services such as public education and social benefits—that is, the various types of **welfare states**—to states which take part as entrepreneurs in the economy and play a dominant role in the realization of the communal goal of progress—that is, **developmental states** [→ 2.6].[48] Indeed, the night-watchman state has less empirical relevance and serves as a theoretical device to extend our scale, as most democracies in today's world are welfare states. However, as we move from states closer to the night-watchman endpoint toward the developmental-state endpoint, and the state takes over more and more social functions, we can observe that the aim of exclusively possessing political power emerges among ruling elites.[49] Thus, at the end of the scale, the principle of state functioning tends to be ideology-implementation rather than societal interest.

Figure: 2.1. A scale of states running on the principle of societal interest (and eventually ideology-implementation).



A continuous scale of the above-mentioned state concepts is depicted on Figure 2.1, utilizing the paradigmatic distinction of three ideal typical models of welfare states by Gøsta Esping-Andersen.[50] It may be objected that this typology is an obsolete one, and several other typologies have been developed for welfare states since Esping-Andersen.[51] Also, because the issue of state intervention is a primary question of economic disputes, several typologies use the language of economics and find "varieties of capitalism" and neoliberalism

48 Johnson, "The Developmental State: Odyssey of a Concept."

49 Holcombe, *Political Capitalism*, 2018, 20–43.

50 Esping-Andersen, *The Three Worlds of Welfare Capitalism*.

51 For a meta-analysis, see Arts and Gelissen, "Models of the Welfare State."

instead of a variety of state [→ 5.6].[52] Without a doubt, a systemic analysis and refinement of these categories would be a fruitful exercise. However, at this point we refer back to the stubborn-structures argument, which stated that the two main rulership structures that can be noticed in post-communist regimes are patrimonialization and informal patronal networks. This implies that, in our view, **post-communist states can be best described by presuming the principle of elite interest**. Therefore, we do not expound further on the typologies based on the principle of societal interest but go on with the labels that have been developed in the elite interest paradigm.

2.4. Conceptualization of States Running on Elite Interest

Theories of post-communist states that are based on concepts presuming the societal interest principle necessarily have blind spots toward a large array of phenomena, stemming from such elements as the self-interested patronal elite and the systemic distortion of centralized/monopolized forms of corruption. Indeed, the latter are constituent elements of post-communist regimes. Disregarding these components leads to the same kinds of errors as if one were trying to understand a football match while disregarding the ball: in both cases, the phenomenon that gives sense to most of the game is missing from the picture.

Several labels that have been developed for post-communist (and other) states **take the principle of elite interest as their basis**. The problem with the literature using them, therefore, has not been the blindness to the related phenomena but that they did not treat them as part of a larger analytical framework. Indeed, concepts like "network state" and "clan state" or "predatory state" and "kleptocracy" have been used almost as synonyms, not realizing that (1) these adjectives indeed refer to different concrete features and, therefore, (2) these concepts **can be put in a coherent logical order**.

To perform the logical ordering, we need to identify certain **dimensions** that these concepts reflect on. The dimensions can be found by relying on the stubborn-structures argument, especially Figure 1.4 from the previous chapter that showed the specificities of post-communist rulership [→ 1.5.1]. In that figure, we saw two chains of consequences, the first of which regarded personal relations. Accordingly, we may isolate the first dimension of the state, expressed in interrogative form:

1. **What is the nature of the ruling elite?**

The second chain was concerned with institutional consequences. For we are in the principle of elite interest, we can formulate the question regarding the next dimension as follows:

2. **What is the action for elite-interest based appropriation of state institutions?**

[52] The fundamental work is Hall and Soskice, *Varieties of Capitalism*. For later works in this paradigm focusing on the post-communist region, see Lane and Myant, *Varieties of Capitalism in Post-Communist Countries*; Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*; Szelényi and Mihályi, *Varieties of Post-Communist Capitalism*.

The two chains of consequences added up to a systemic distortion, namely centralized and monopolized forms of corruption (which is to be defined in general as the abuse of entrusted power for private gain [→ 5.3.2.1]). This phenomenon can be approached from two angles. On the one hand, we can focus on the corrupt action itself, where property is diverted to the hands of the elite (and its beneficiaries) via the state machinery. The appropriate question is the following:

3. What is the action for elite-interest based appropriation of property?

On the other hand, corruption can be analyzed by its relation to the state. The attitude of the state towards corruption ranges from inimical to supportive, which is expressed in the law and its enforcement [→ 4.3.4–5, 5.3.4.2]. In other words, corruption moves on a scale from being incongruent with the state's legal framework and relying on it, yielding the final question about a state dimension:

4. What is the legal status of the elite-interest based action?

Resolving the prevalent incoherent and random use of terminology, **we organize existing concepts from the literature** along these four dimensions in a logical order. Ordering will happen as follows. Starting from the general definition of the state, we develop, step-by-step, more and more complex answers for each question along what we call **interpretative layers**. This means that, at each of the four dimensions, we take "state" first, and then we add a new characteristic feature to it, expressed by an adjective added to "state." Next, we add one more feature and change the adjective accordingly. This process is continued until we reach the most extreme concept of state which is still relevant in the post-communist region (Table 2.4).

Table 2.4. Conceptualization of states subordinated to elite interests.

	The basis for the term used	Alternative terms used for the description of elite interest in post-communist regimes
1.	Actor	network / patronal / clan state
2.	Action (targeting state institutions)	patrimonial / sultanistic / neopatrimonial / neosultanistic state
3.	Action (targeting property)	rent-seeking / kleptocratic / predatory state
4.	Legality	corrupt / captured / criminal state

The closest resemblance to the method of interpretative layers is the ladder of abstraction, introduced to comparative politics by Giovanni Sartori,[53] by which the narrower classes of phenomena we want to define, the more specifying features we need to add to its definition. However, we prefer the term "interpretative layer" to Sartorian language because we believe it is more expressive. First, the result of this exercise will be a set of clear-cut categories, by which one can interpret the state feature by feature. Second, the categories are indeed layered on, or building on the definitions of each other, which means that they should

53 Sartori, "Concept Misformation in Comparative Politics."

neither be used interchangeably nor regressively. More abstract categories (composed of fewer layers) should be disregarded if the respective state satisfies the definition of a less abstract concept (composed of more layers).

2.4.1. Interpretative Layers: What is the Nature of the Ruling Elite?

The first dimension of categorization is **the nature of the ruling elite**. The interpretative layers and the related state concepts can be seen in Table 2.5. Differentiating state types, we shall rely on the concepts and definitions provided above in Part 2.2.2.2, including, first and foremost, informality, patronalism, and the adopted political family.

Our conceptual starting point is the **state** led by the ruling elite, possessed of the monopoly of legitimate use of violence. Further categories can be defined as follows:

- **Network state** is a state where the functions of the state organization are dominated by informal networks of the ruling elite, rather than being institutionalized, formalized, and realized through impersonal relations.

- **Patronal state** is a network state where the command structure in the informal network is of the patron-client type, that is, featuring hierarchical chains of dependence.

- **Clan state** is a patronal state where the ruling elite is a clan type of adopted political family, that is, a patronal network of kinship and quasi-kinship relations organized under the patriarchal domination of the chief patron.

From the three consequent adjectives, **“network”** is the most neutral one. One can even argue it is too neutral—after all, every state contains networks for the members of the ruling elite, and the ruling elite and the state apparatus are obviously connected, too. However, the fact that we do not refer to every state as network state signifies precisely that here “network” refers to a non-trivial feature, that is, something beyond the normal workings of the state. This feature is the **informal character** of the ruling elite and of the way power is exercised. According to our definition, informality means the lack of a legal and openly admitted form, whereas in a network state we can speak about **the dominance of informal institutions** over formal ones [→ 2.2.2.2]. As Vadim Kononenko explains in a book which describes Putin’s Russia as a network state, **networks should be understood “as a means of social interaction which is less formal than those between and within state institutions** […]. [Such] networks can be found both outside the state institutions but also incorporated within […] ministries and administrative hierarchies. In this regard, networks are always personal and link up individuals or groups that share similar interests, allegiances and identification” (emphasis added).[54] Informality signifies the principle of elite interest

[54] Kononenko, “Introduction,” 6.

because it typically means the circumvention of those formal institutions that are in place precisely to defend against elite interest, the exclusive possession of political power [→ 4.4.1] and the abuse of public office for private gain (corruption [→ 5.3]).

Table 2.5. Interpretative layers of categories for the ruling elite.

	The type of state	Interpretative layers of the category	To which features of the state the category refers to
1.	**State**	Monopoly on the right to authorize the legitimate use of violence	Institution by which the ruling elite exercises legitimate use of violence
2.	**Network state**	1st feature + increasing informal character of the connections within and between the units of the state	The ruling elite's exercising power through mainly informal power network
3.	**Patronal state**	1st + 2nd features + the personal, patronal, hierarchically dependent character of the ruling elite	The ruling elite's internal dependency, patron-client relations (patronal power network)
4.	**Clan state**	1st + 2nd + 3rd features + the political-economic clan (adopted political family) structure of the ruling elite	The ruling elite's anthropological structure and cultural patterns

It may be argued that informality also involves the element of secrecy, which is necessary for elite interest as it—particularly the wish to accumulate personal wealth—can hardly be admitted to the people (i.e., the voters). But when it comes to informal patronalism, the more general point is that the formal institutional system of a professional Weberian bureaucracy is less suitable to continuous discretional rewards and punishments than informal institutions or commands [→ 3.3.5, 3.6.3]. This leads us to the term **"patronal state,"** which has been used by Hale for Moldova.[55] Yet our understanding is different from his in the sense that our definition builds on the notion of the network state. Indeed, by the term "patronal," we refer to a specific kind of informal network, characterized by **patron-client relations**. As we explained above, these relations are vertical in character and feature a strong element of unconditionality and inequality in power between one person—the patron—and his vassal or subordinate—the client. In short, if the informal network that rules the state is hierarchical and lower-level actors are (informally) subordinated to and dependent on higher-level actors, we can speak about a patronal state [→ 2.2.2.2].

The notion of **"clan state"** has been popularized by Janine Wedel,[56] although her description—an informal elite group that operates in the multiple domains of politics, economics and law and blurs public and private spheres accordingly—exhausts the definition of network state only.[57] Putting two further interpretative layers on it, we define a network

55 Hale, *Patronal Politics*, 165–74.

56 Weber also used the expression "clan state" *(Geschlechterstaat)* in his writing, but in a different context and with a different definition. See Weber, *Economy and Society*, 250.

57 Wedel, "Corruption and Organized Crime in Post-Communist States"; Wedel, "Clans, Cliques and Captured States."

which is not simply **(1) informal** but also **(2) patronal and (3) its members are linked via kinship and quasi-kinship ties** in a "clan" (see Box 2.2). Thus, a "clan state" is a state run by a clan, that is, an informal patronal network characterized by kinship and quasi-kinship ties [→ 3.6.2.1]. In the post-communist region, we refer to such clans as **adopted political families**, because the combination of patron-client relations and kinship and quasi-kinship ties are naturally followed by the anthropological character of an extended patriarchal family. Weber captures the patriarchal family in its traditional form, and one of the primary characteristic features he observes is **patriarchal domination**. As he writes, under patriarchal domination "the legitimacy of the master's orders is guaranteed by personal subjection, and only the fact and the limits of his power of control are derived from 'norms,' yet these norms are not enacted but sanctified by traditions. […] The master wields his power without restraint, at his own discretion and, above all, unencumbered by rules […]. [The] belief of authority is based on personal relations that are perceived as natural."[58] This model of patriarchal domination or "personal rule"[59] can be observed in several informal patronal networks in the post-communist region, although the primary binder of a clan can be several other things besides tradition. Indeed, a clan can be grounded in at least four things: (a) ethnicity, (b) nomenklatura past (that is, past membership in the communist ruling elite), (c) party and (d) fraternity.[60] Other important ties include family relationships, as well as the adopted family sealed by businesses in common. In several post-communist ruling elites, the adoption of a client consecrates neither an organizational ethos nor ties of blood or actual kinship, in keeping with a large family cultural pattern, but of loyalty towards the head of the family, the chief patron [→ 3.6.2.4].

Box 2.2. The general character of clans.

"[…] a clan is an informal organization comprising a network of individuals linked by kin and fictive kin identities. These affective ties comprise the identity and bonds of its organization. Kinship ties are rooted in the extensive family organization that characterized society in this region and in historically tribal societies. 'Fictive kinship' ties go beyond blood ties and incorporate individuals into the network through marriage, family alliances, school ties, localism […], and neighborhood […] and village […]. As anthropologists and historians have often noted, clans are common in tribal […] regions and in collectivist cultures. [In clans] actual blood ties do not always exist; more important than the objective reality of kinship is the subjective sense of identity and the use of the norms of kinship—such as in-group reciprocity and loyalty—to bind the group and protect its members. […] [T]he clan's boundaries, while not fixed and unchanging, are difficult to permeate. Individuals cannot easily enter or exit a clan […]. Clans typically cross class lines."

– Kathleen Collins, *Clan Politics and Regime Transition in Central Asia* (Cambridge University Press, 2006), 17–18.

2.4.2. Interpretative Layers: What is the Action Targeting State Institutions?

The second dimension of categorization is **the action of the ruling elite** aiming at using state institutions for elite interest. The interpretative layers and the related concepts can be seen in Table 2.6. Our conceptual starting point is, again, the **state** led by the ruling elite, possessed of the monopoly of legitimate use of violence. Further categories can be defined as follows:

58 Weber, *Economy and Society*, 1006–7.

59 Guliyev, "Personal Rule, Neopatrimonialism, and Regime Typologies."

60 Cf. Wedel, "Corruption and Organized Crime in Post-Communist States," 48–49.

- **Patrimonial state** is a state which runs on the principle of elite interest, represented by a ruling elite that aims at treating society as a private domain in the formal institutional setup that is given.

- **Sultanistic state** is patrimonial state where the formal institutional setup has no constraining effect on the ruling elite (or rather the head thereof), which can pursue its elite interest and treat society as its private domain at its whim.

- **Neopatrimonial state** is a patrimonial state where the formal institutional setup is democratic in form (featuring multi-party elections, the constitutional separation of the branches of power, and the legal recognition of the free enterprise system and basic human rights). This setting has a limited capacity to constrain the patrimonialism of the ruling elite, or at least the practices of the ruling elite are influenced and refined by the institutional setup (which, in turn, gets corrupted by the ruling elite).

- **Neosultanistic state** is a neopatrimonial state where the formal, democratic institutional setup has no constraining effect on the ruling elite (or rather the head thereof). In such a system, the ruling elite can pursue its elite interest and treat society as their private domain at its whim, whereas the institutions of democracy become pure instruments of patrimonialism.

Table 2.6. Interpretative layers of categories for patrimonialization.

	The type of state	Interpretative layers of the category	To which features of the state the category refers to
1.	**State**	Monopoly on the right to authorize the use of violence	Institution by which the ruling elite legally uses violence
2.	**Patrimonial state**	1st feature + self-interested ruling elite aiming at the private appropriation of governmental sphere	Treatment of society as a private domain
3a.	**Sultanistic state**	1st + 2nd features + operation in an environment of no constraints	Total arbitrariness in treating society as private domain
3b.	**Neopatrimonial state**	1st + 2nd features + operation in a democratic institutional setup	Patrimonial rule operating in a new institutional setting (where democratic institutions have a moderate constraining effect)
4.	**Neosultanistic state**	1st + 2nd + 3rd feature + the democratic institutional setup is purely instrumentalized	Sultanistic rule operating in a new institutional setting (where democratic institutions have no constraining effect)

The use of these terms attempt to convey the *sui generis* traits of post-communist regimes through the adaptation and reformulation of Weber's typology for systems of rule. "Where domination is primarily traditional, even though it is exercised by virtue of the ruler's

personal autonomy, it will be called **patrimonial** authority," writes Weber. He continues: "where it indeed operates primarily on the basis of discretion, it will be called **sultanism**" (emphasis added).[61] Our main modification to this definition is making the dimension of institutional setup explicit. For although the terms in their original form capture what we described above as the principle of elite interest, it is the institutional setup in which this principle is enforced that distinguishes these states from each other. In patrimonial states, lordship is explicit and it is limited by traditional constraints of such institutions. In sultanistic states, such constraints that effectively limit the exercise of power do not exist, and usually it is **the head of the ruling elite who disposes over the state at his whim** (hence the word "sultan"). Thus, even intra-elite constraints, otherwise taking the form of any kind of entitled body of decision-making, are lacking [→ 3.6.2]. This is why sultanism is widely recognized as an extreme form of patrimonialism.[62]

Attaching the prefix "neo-" to Weberian terms may not be as precise as a substantive adjective would be, that is, an adjective expressing the actual content of these states' novelty. But we still adopt these terms because (1) they signify that these states prevail in different historic eras than the original regimes that Weber analyzed and (2) they are already familiar in existing literature (see Box 2.3).[63] Substantively, **"neopatrimonial"** refers to a change in the institutional setup: that **patrimonialism is no longer explicit, and it is no longer limited by traditional (hard) constrains, but it operates behind the façade of democratic institutions, which provide legal (soft) constraints**. In neopatrimonial states, the ruling elite complies, more or less, to an existing legal framework, which it changes continuously to fit the aim of serving its elite interests better [→ 4.3.4]. Yet laws do influence neopatrimonial rulers, who have to develop more refined ways of seeking elite interest to conceal their efforts in a democratic environment, where the rulers rely on electoral civil legitimacy [→ 4.2].

Box 2.3. On the concept of neopatrimonialism.

"Guenther Roth was first to point out the emergence of the new modern forms of patrimonial domination [. . .] in his famous article *'Personal Rulership, Patrimonialism, and Empire-Building in the New States'* published in 1968 in the 'World Politics' magazine. [. . .] Shmuel Eisenstadt, who in a number of his works developed a complex theory of neopatrimonialism, made next step in the development of this concept. [. . .] One can identify three main principles of the neopatrimonial systems' functionality:

1) Political center is separated and independent from the periphery, it concentrates political, economic and symbolic resources of the authority, while simultaneously closing access to all other groups and levels of the society to these resources and positions of control over them;
2) The state is managed as a private possession (*patrimonium*) of the ruling groups – holders of the state authority, which privatize various social functions and institutions, making them sources of own private profit;
3) Ethnic, clan, regional and family-relative ties do not disappear, but are reproduced in the modern political and economic relations, determining methods and principals of their functioning."

– Oleksandr Fisun, "Neopatrimonialism in Post-Soviet Eurasia," in *Stubborn Structures: Reconceptualizing Post-Communist Regimes*, ed. Bálint Magyar (Budapest–New York: CEU Press, 2019), 79–82.

Neosultanistic states, on the other hand, are composed of **purely instrumentalized formal institutions**. In other words, the formal institutional setting here has no influence or constraint over the ruling elite, and methods of rule need not be refined any futher. For if a law contradicts the principle of elite interest, it will either be changed or simply disregarded [→ 4.4.3.3]. Civil legitimacy in these systems becomes pure show: popular

[61] Weber, *Economy and Society*, 232.

[62] Guliyev, "Personal Rule, Neopatrimonialism, and Regime Typologies," 577–80.

[63] Cf. Gerring, "What Makes a Concept Good?"

elections are held, but in case of non-favorable results, the ruling elite commits electoral fraud without hesitation [→ 4.4.3.2].

It may be noticed that, conceptually, a neosultanistic state could also be regarded as a subtype of sultanistic state, to which the feature of operation in a democratic institutional setup should be added then. Although such ordering would be equally logical, it would be less useful analytically, for in the post-communist region **it is a neopatrimonial state**, and not a sultanistic one, **that can typically evolve into a neosultanistic state** [→ 4.3.3.3]. As Houchang Chehabi and Juan Linz observe, using the term neosultanistic "[has] the advantage of not only distinguishing [such states] from the Weberian use of the term 'sultanism,' but also maintaining the logic of Weber's terminology; […] just as for Weber the transition between patrimonialism and sultanism is 'definitely continuous,' neosultanistic regimes are an extreme version of neopatrimonial forms of governance."[64]

2.4.3. Interpretative Layers: What is the Action Targeting Property?

The third dimension of categorization is **the action of the state (public actors) aiming at appropriating property**. Indeed, every state, by definition, "exercises the monopoly of legitimate use of violence to extract, manage and distribute resources," and in this sense engages in coercive appropriation and re-allocation of private people's property. However, to be able to distinguish states by this dimension, we must make three distinctions in the concept of coercive takeover. First, **we differentiate between property appropriation (a) for private gain**, when someone takes over property and uses it to increase the consumption of himself as well as other concrete, targeted persons (his family, party members etc.), or **(b) for public gain**, when someone takes over property and uses it not to increase his consumption *per se* but to give it to other people he does not target specifically in advance as future owners (taking it to public use, handing it out for everyone who meets objective criteria not unique to them etc.).[65] Second, we distinguish **takeover of (a) monetary property**, like in case of taxation, and **(b) non-monetary property**, like in case of property-taking intervention or nationalization (in liberal democracies). Indeed, in case of (a) we cannot speak about private or public gain *per se*, because—speaking about states—most taxes are not collected for specific purposes—say, that the income tax would be collected specifically to finance healthcare and education. In modern states, tax monies go to a so-called general fund from which most (central) governmental programs are financed.[66] Thus, the monetary property that is collected from people simply fill up the revenue side of the budget, and it is the budget which is then spent on different gains, public as well as private. However, when monetary property is being redistributed and spent for private

[64] Chehabi and Linz, *Sultanistic Regimes*, 6.

[65] Cf. a similar distinction in Epstein, *Takings*, 161–81.

[66] Browning, "Collective Choice and General Fund Financing."

gain, we can distinguish **legal and illegal** instances of such action—whether it is in line with existing legal code to provide a particular (familiar) person or company from tax monies or not.

Keeping these three distinctions in mind, we can meaningfully distinguish state types by the interpretative layers belonging to this dimension (Table 2.7).

Table 2.7. Interpretative layers of categories for appropriation of property.

	The type of state	Interpretative layers of the category	To which features of the state the category refers to
1.	**State**	Monopoly of taxation for maintaining public functions	Primary source of state revenues
2.	**Rent-seeking state**	1st feature + legal overtaxing in favor of the ruling elite and its beneficiaries	Favoritism to expand state bureaucracy/enterprises for the ruling elite and its beneficiaries
3.	**Kleptocratic state**	1st + 2nd features + illegal diverting of current incomes to private hands	Illegal favoritism
4.	**Predatory state**	1st + 2nd + 3rd features + appropriation of non-monetary property using illegal state coercion	Illegal predation

The starting point is the **state** led by the ruling elite, possessed of the monopoly of legitimate use of violence and using it for taxation, that is, extracting monetary property from the people living under the authority of the state [→ 5.4.3]. Further categories can be defined as follows:

- **Rent-seeking state** is a state where taxation is boosted to perform, beyond public services, various tasks in the particular favor of the ruling elite and its beneficiaries. "Rent-seeking" refers to increased incomes, whereas illegitimate expenditures can be dubbed as "favoritism." On this level, both governmental rents and favoritism stay within the limit of legal rules.

- **Kleptocratic state** is a rent-seeking state where favoritism happens illegally. Illegal diversion of current incomes and rents can take place outside the transparent and regulated channels of government spending, or they can be transacted inside state channels (such as the public procurement system) by disabling effective checks.

- **Predatory state** is a kleptocratic state where monetary as well as non-monetary property (such as a company) is appropriated for the private gain of the leading political elite. The method of predation utilizes acts that are unlawful in and of themselves (such as extortion or misappropriation of funds), often combined with acts that are not unlawful in and of themselves (such as motions submitted by independent parliamentary representatives or instigating tax audits).

That rent-seeking is understood as the broadest of all categories is not particular to us. Indeed, this term is often used for all the above-mentioned activities, from overtaxation to predation.[67] However, it is analytically useful to distinguish subtypes, pursuing qualitatively different practices, and using the term "rent-seeking state" only for those institutions of the ruling elite which do not reach the kleptocratic or predatory level.

Among the several definitions of **rent** in the literature, we rely on a Weberian understanding, based on the idea of Iván Szelényi and Péter Mihályi.[68] Weber distinguishes two types of social relationships—open and closed ones. As he writes, a social relationship "will be spoken as 'open' to outsiders if and insofar as its system of order does not deny participation to anyone who wishes to join and is actually in a position to do so. A relationship will […] be called 'closed' against outsiders so far as […] participation of certain persons is excluded, limited or subjected to conditions."[69] Accordingly, we distinguish open and closed markets, based on whether it depends on the state or incumbents that a new participant can enter, and we define "rent" as the difference between (1) what income would have been in an open market and (2) the actual income, resulting from closing the market to certain participants. In short, **rent is the profit stemming from the lack of competition**, and the more closed the market is, the higher the rent is (all other things equal) [→ 5.4.2].

Rent is usually understood as a market phenomenon, but there is no good reason to narrow its definition this way. For we can say that the state, disposing of the local monopoly of a number of services, effectively collects rents whenever its revenues (taxes and other current incomes from natural or artificial state monopolies) surpass the income it would have reached if it provided its services not as a monopolist but as a free market entrepreneur—that is, in an open relationship instead of a closed one [→ 5.4.2.4]. Using this understanding, we can say that the ideal typical "state" does not collect rents, as there the government, committed to the principle of societal interest, provides public services at the same or lower price in tax as what could have been reached on the free market. Indeed, actual states with such motives attempt to minimalize governmental rents via public tenders—setting only the public goals but leaving their fulfillment to private actors, at a price determined by the market competition of tender participants [→ 5.5.2.1]. However, **governmental rent collection happens when a tax above the market price of government services is charged**. This can also be called **overtaxation.** Further, where rent collection happens on purpose—that is, where the state indeed shows rent-seeking behavior—there exists an expenditure side as well: the extra incomes are spent on goods and services in the particular favor of the ruling elite and its beneficiaries. This kind of state spending can be called **favoritism,** a more neutral term than the also often used "nepotism" [→ 5.3.2.2].

In a rent-seeking state, favoritism does not break the legal rules of the state. It manifests in acts such as offering positions with high salaries in state bureaucracy or companies to friends and party members, spending tax monies on extra benefits for politicians, or giving bailouts to particular firms.[70] Dušan Pavlović analyzed post-communist Serbia and found that party favoritism has produced a bloated bureaucracy and a set of "mon-

[67] For a meta-analysis, see Holcombe, "Political Capitalism," 2015.

[68] Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*, 57–58.

[69] Weber, *Economy and Society*, 43.

[70] Cf. Mitchell, "The Pathology of Privilege."

ey-wasting" public agencies, all paid from overtaxation that has hampered the country's economic development.[71] However, we speak about **"kleptocratic state"** when favoritism happens illegally. In this case, benefits are provided to certain actors either (a) outside the transparent and regulated channels of government spending or (b) inside state channels by disabling/disregarding effective checks. For the latter, the public procurement system can be an example, if the state publishes custom-tailored tenders or orders the committee to decide in favor of some particular actors [→ 5.3.3.3].

Andrew Wedeman summarizes the features of "pure kleptocracy" as follows: "(1) endemic corruption, with corrupt activities pervading both the lower and the upper reaches of the state; (2) a tightly integrated hierarchy of corrupt syndicates headed by a godfather-like thief-in-chief; (3) unchecked plunder; (4) near-total impunity for those authorized to loot by the thief-in-chief; (5) large outflows of corrupt monies; and (6) extensive use of these monies to influence politicians and officials in other countries."[72] This list already includes several features we do not include in our definition, which focuses on the necessary and sufficient conditions to classify a state kleptocratic. However, several extra features that appear in Wedeman's list indeed go hand in hand with kleptocratic functioning, like the top-down nature of corruption (feature 2 [→ 5.3.2.3]) or politically selective law enforcement (feature 4 [→ 4.3.5]). However, while the word "kleptocratic" alludes to the illegal activity of the ruling elite, the term **"predatory state"** indicates the **violence** that accompanies this activity.[73] More precisely, we define predation as follows:

- **Predation** is the coercive takeover of non-monetary property for private gain.

We define "predation" more narrowly than is typical in social sciences, where it is used to refer to any kind of coercive takeover of (private) property.[74] The reason we narrow the term, using the distinctions we made earlier, is to be able to identify states which, besides redistributing monetary property in form of taxation, routinely take over non-monetary property—such as companies—for the ruling elite's private gain. Following the principle of elite interest, the aim of such a takeover can be to reallocate property to the members of the ruling elite and/or to remove them from the hands of their enemies [→ 5.5.4]. To achieve this, the predatory state uses the instruments of public authority, regulation and discretional taxation, combined with illegal practices such as extortion and economically "drying out" a targeted company by cutting them from state funds [→ 5.4–5]. In Chapter 5, we will identify such action as "centrally-led corporate raiding," which is also a subtype of what is known as "reiderstvo" in the Russian literature.[75]

It is important to underline that, as Table 2.7 suggests, the predatory state does not only predate but combines the features of previous state types. That is, a state which, from the perspective of property-taking action, is regarded as **a predatory state, uses (1) le-**

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[71] Pavlović, *Mašina za rasipanje para: Pet meseci u Ministarstvu Privrede* [The money-wasting machine: Five months inside the Ministry of Economy].

[72] Wedeman, "Does China Fit the Model?," 90–91.

[73] Yakovlev, Sobolev, and Kazun, "Means of Production versus Means of Coercion."

[74] Vahabi, *The Political Economy of Predation*, 41–45.

[75] Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia"; Viktorov, "Russia's Network State and Reiderstvo Practices."

gal rent-seeking (overtaxation and favoritism), (2) illegal rent-seeking (kleptocratic spending through channels like state payments and procurements) and (3) predation (centrally-led corporate raiding) to promote the personal-wealth accumulation of the ruling elite. All these techniques are combined by a corrupt network that covers the entire state, typically at the command of a chief patron who can coordinate all accumulation and the means thereof [→ 2.6].

2.4.4. Interpretative Layers: What is the Legal Status of Elite-Interested Action?

The fourth and final dimension of categorization is **the legality of public actors' elite-interested actions**.[76] The general concept we are going to use here is "corruption," for which we use the following mainstream definition, popularized by anti-corruption NGO Transparency International:[77]

- **Corruption** is the abuse of entrusted power for private gain.

This dimension's interpretative layers and the related concepts can be seen in Table 2.8. The starting point is the **state** led by the ruling elite, possessed of the monopoly of legitimate use of violence and using it for taxation, that is, extracting monetary resources (legally) from the people living under the authority of the state. Further categories can be defined as follows:

- **Corrupt state** is a state where corruption influences the implementation of the law. On this level, corruption happens by a high occurrence of separate/occasional incidents when officials of the state bureaucracy accept or request financial or other benefits (that is, bribes) for handling a case in a manner advantageous to the dispenser of the benefits (bribes). Furthermore, although in a corrupt state civil administrative or business matters can be best managed through bribes, bribery and corruption are regarded as deviant element by the state and persecuted as illegal acts accordingly.

- **Captured state** is a corrupt state where corruption influences the content of laws and rules as well. On this level, corruption vertically reaches even the higher layers of governance and, rather than manifesting in only occasional transactions, it shows signs of a regular nature with more or less permanent chains of corrupt vassalage. Furthermore, although state capture on this level is partial in the sense that the instruments of public authority are not fully appropriated by corrupt actors, corruption becomes a structural element of the system.

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[76] In earlier works, we referred to this dimension by the term "legitimacy" instead of legality. However, it would be confusing now if we stated some states are illegitimate, for we have defined the state as the monopolist of legitimate coercion. On the other hand, the ways this coercion is used can be illegal (as well as legal).

[77] TI, "Corruption Perceptions Index 2011 - FAQ."

- **Criminal state** is a captured state where corruption is centralized and monopolized by the ruling elite. On this level, the instruments of public authority are fully appropriated by the hierarchy of corrupt actors, usually a political enterprise gaining constitutional powers (for full appropriation requires disabling legal checks and corrupting a multitude of state institutions on the national level). Thus, corruption becomes, in a criminal state, a constituting element of the system.

In Chapter 5, we will elaborate on the types of corruption in greater detail [→ 5.3]. Here, there are two features to note. First, the states defined above **do not necessarily operate primarily on the principle of elite interest**. In a **corrupt state**, there is a conflict of interest between the ruling elite and the state apparatus, where the latter attempts to enforce its interests against the former. Usually, this means that the ruling elite wants to follow the principle of societal interest, whereas corrupt members of the state apparatus hinder this aim for personal gain [→ 5.3.2.2]. Indeed, as corruption meets the intention of neither the regulator (the one who makes the to-be-corrupted laws) nor the dominant institution (in this case, the formal, legal institution that provides the actual framework of political action), we can see the frequent but still occasional cases of low-level corruption as a **non-structural deviation**. The situation is similar in a **captured state**, where it is private actors, mostly businessmen, who turn specific members of the ruling elite against the principle of societal interest [→ 5.3.2.3]. However, while the state as a whole does not run on elite interest here, as a result of state capture the intention of the regulator becomes to facilitate corruption. Thus, **corruption becomes a structural deviation**. It is only in a **criminal state** that the state necessarily runs on the principle of elite interest, where corruption meets the intention of both the regulator and the dominant institution (in this case, the informal patronal network). **Corruption becomes a constitutive element of the regime**, whereas corrupt acts are centralized and monopolized by the ruling elite [→ 5.4.1.1].[78]

Table 2.8. Interpretative layers of categories for the legality of elite-interest based action.

	The type of state	Interpretative layers of the category	To which features of the state the category refers to
1.	**State**	Monopoly of taxation (tax, rent, etc.) for maintaining public functions	Primary source of state revenues
2.	**Corrupt state**	1st feature + the abuse of entrusted power for private gain (occasional, non-stable chains of vassalage)	Corruption = deviant element of the system
3.	**Captured state**	1st + 2nd features + chains of corrupt vassalage with a permanent character	Corruption = structural element of the system
4.	**Criminal state**	1st + 2nd + 3rd features + subordinated to and monopolized by a political enterprise (governance led as a criminal organization)	Corruption = constituting element of the system

[78] Although we use different definitions, our terminology is highly influenced by David O. Friedrichs, who established a broader typology of state criminality. See Friedrichs, *Trusted Criminals*, 133–41.

Box 2.4. From partially to fully appropriated state.

"Differences between the 'partially appropriated state' and the 'clan-state' appear to lie in (1) the degree of penetration of state bodies and authorities and the nature of vertical linkages and (2) the degree to which politics is dominated by groups such as institutional nomads and clans and has become merely a means for them to access state resources for themselves. The partially appropriated state and the clan-state fall along a continuum—from substantial appropriation of the state by private actors to sweeping appropriation and from considerable use of politics to access state resources to a near wholesale intertwining of state resources and politics. [. . .] Under the 'partially appropriated state,' informal groups use state actors, who are corruptible and 'bought.' For example, informal groups in Poland may use or help to place non-group members in Parliament. However, in Russia, under the 'clan-state' model, clan members actually occupy positions in the executive branch as a clan and are themselves 'bought.' [. . .] With respect to (2) the domination and use of politics, in the clan-state, as contrasted with the partially appropriated state, politics is less a way to present competing views of public policy to voters, and more a means to split up the spoils of state resources."

– Janine R. Wedel, "Corruption and Organized Crime in Post-Communist States: New Ways of Manifesting Old Patterns," *Trends in Organized Crime 7*, no. 1 (Fall 2001): 33.

Second, **as we move from corrupt state to the criminal state, the legal status of corruption "whitens:"** the means of corrupt actors includes more and more legal elements in the illegal chain of actions, and corruption is more and more tolerated or even endorsed in extreme cases. In a corrupt state, corruption is a pure deviance from the legal framework of the state, and it is persecuted by law-enforcement as such; in a captured state, it is a structural element, and the corrupt gain for the private party appears in form of favorable regulations or favoritism, staying within the legal limits of the state. Yet collusion is usually deemed illegal, and because of the fact that the means of public authority are only "partially appropriated," to use the phrase of Janine Wedel who contrasts such states to fully appropriated "clan-states" (see Box 2.4), legal persecution of the capture itself is not disabled on the national level [→ 5.4.1.2].

In a criminal state, the state becomes fully appropriated and every institution of the state are connected to form a corrupt machinery, and the legal persecution of the ruling elite's criminal acts is effectively disabled as a consequence [→ 4.3.5.2]. But the actions themselves do not cease to be illegal—on the contrary [→ 4.3.4.3]. Besides using the legal means of public authority, a criminal state commits isolated violations of the law which take the form of **linked actions of corruption**. Linked actions combine acts that are unlawful in and of themselves (extortion, fraud and financial fraud, embezzlement, misappropriation, money laundering, insider trading, agreements that limit competition in a public procurement or concession procedure etc.) with acts that are not unlawful in and of themselves (motions submitted by independent Parliamentary representatives, instigating tax audits etc.). Therefore, **although much of the activity gets an explicit legal form, the criteria for a criminal organization** according to the Palermo Protocols[79] **still apply to the ruling elite**: "three or more people," "a group formed for an extended period of time and acting in concert" that has a "hierarchy" and "mutually-reinforcing effects on those acting in it," and includes "the objective of perpetrating criminal offenses," "dividing up tasks" required for this, and if necessary, "contracting" persons outside of the criminal organization.

The difficulty in deeming the acts of a criminal state illegal is that, in a modern state based on the rule of law, it is the court which has the authority to declare illegality, whereas it follows the definition of criminal state that the judicial branch has no independence to

[79] Act CI of 2006 on the promulgation of the United Nations Conventions against transnational organized crime, as established in Palermo on 14 December 2000.

rule against the rulers. However, there are two phenomena that make the scholarly declaration of illegality in case of a criminal state more than mere (albeit probable) accusations. First, we can observe precisely the inactivity of control mechanisms, which is usually not independent from the actions, regulations or appointments, of the rulers. **A criminal organization, whether private or public, has three crucial needs: sources of money, the ability to launder it, and impunity for its members.** A criminal state must achieve all three, whereas the inactivity of controls is responsible for the last element. Inactivity manifests in politically selective law enforcement, including the office of the public prosecutor (state attorney) routinely rejecting complaints against the ruling elite. As we mentioned above, disabling controls is one of the necessary features of successful corrupt transactions, especially if they are permanent and often repeated, and this would not be necessary if all the acts were legal. For then, even an independent court could find no incongruence to efficient law [→ 4.3.5].

Second, under a completely legal state, the members of society are all positioned in various orders organized along lines of clear positions, and no one has the role of mediating between the actual keepers of either political or economic authority and the formal actors of these spheres. In other words, *de facto* and *de jure* positions coincide, and no "extra players" are required to hide the difference between the actual and the legally declared social positions, wealth and power, of those who fill these roles. Yet, in criminal states, so-called "economic front men" appear, formally keeping the enormous wealth of the top members of the ruling elite who would not be allowed by law to accumulate fortunes from state expenditures [→ 3.4.3].

2.4.5. Combining Layers of Different Dimensions: Defining the Mafia State

What needs to be seen with respect to the state types above is that they are only **partial types**. That is, they identify a state only from one aspect while not reflecting on the given state's other aspects, or the three other dimensions beside their own one. This also points to the way to create more complete state types: because the four sets of interpretative layers refer to different aspects of state functioning, **their concepts can be used simultaneously** for the description of a state running on the principle of elite interest. For instance, a state that is rent-seeking can also be captured, patronal and neopatrimonial. While not every kind of combination is possible, following the congruence between definitions of various states,[80] one that is not only possible but constitutes **the ideal typical state of patronal autocracies** is the mafia state—combining the most extreme variants (the lowermost interpretative layers) of each dimension of states running on the principle of elite interest (Table 2.9).

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[80] The intersections between the interpretative layers of legality and state action targeting property will be shown in Table 5.9 in Chapter 5.

Table 2.9. Defining the post-communist mafia state.

	The basis for the term used	The term referring to one certain feature of the mafia state	
1.	Actor	clan state	→ mafia state
2.	Action (targeting power)	neopatrimonial / neosultanistic state	→ mafia state
3.	Action (targeting property)	predatory state	→ mafia state
4.	Legality	criminal state	→ mafia state

Based on the definitions of the state types from the lowermost interpretative layers, we can outline the definition of the mafia state as follows:

- **Mafia state** is a state ruled by an adopted political family, patrimonializing political power in a democratic environment and using it in predatory ways, routinely stepping over formal laws and operating the state as a criminal organization. In other words, the mafia state **is a combination of a clan state, a neopatrimonial/neosultanistic state, a predatory state, and a criminal state**.

Journalists have used the term "mafia state" for two kinds of states: (a) which have close ties to organized crime, captured to some extent by criminal syndicates and involved in various illicit activities (drug trade, human trafficking etc.);[81] and (b) which are particularly aggressive and use brutal, "mafia-like" methods to keep up their rule.[82] In our scholarly discussion, however, the term is defined in a way that:

- a mafia state does not have to have ties to organized crime, nor be captured or led by a criminal syndicate;
- a mafia state's ruling elite does not have to originate from organized crime (although that is a possibility);[83]
- a mafia state does not have to engage in illicit activities typically associated with mafias (drug trade, human trafficking etc.);
- a mafia state does not have to use brutal, bloody means for everyday operation.

Indeed, the way we define it, **a mafia state is not a symbiosis of state and organized crime but a state which works like a mafia—not in terms of illicit activities *per se* but in terms of internal culture and rulership**. In other words, the "mafia state" is not an historical analogy to the Sicilian or American mafia but a concept that focuses on the definitive feature of the mafia as a sociological phenomenon. For the purposes of our framework,

[81] Naím, "Mafia States"; Dickie, *Mafia Republic*; Wang and Blancke, "Mafia State."

[82] Ayittey, "The Imminent Collapse of the Nigerian 'Kill-and-Go' Mafia State"; Harding, *Mafia State*.

[83] Cf. Miller, *Moldova under Vladimir Plahotniuc*. Also, see "criminality-based clan" in Chapter 3 [→ 3.6.2.1].

we identify the mafia's definitive features through the work of Eric Hobsbawn, who circumscribes the mafia in his classic work *Primitive Rebels*. According to him, the definitive sociological feature of the **mafia** is that it is a violent, **illegitimate attempt at giving sanction to the pre-modern powers vested in the patriarchal head of the family**. The mafia is an adopted family, "the form of artificial kinship, which implied the greatest and most solemn obligations of mutual help on the contracting parties."[84] At the same time, the mafia Hobsbawn describes is the **classical mafia—**we may say, a form of **organized underworld—**which exists in a society established along the lines of modern equality of rights. Thus, the patriarchal family in this context is a challenger to the state's monopoly of violence, while the attempt to give sanctions to the powers vested in the family head is being thwarted, as far as possible, by the state organs of public authority. In short, the mafia is an illegitimate neo-archaism.[85]

In contrast, the **mafia state—**we may say, the **organized upperworld—**is a project to sanction the authority of the patriarchal head of the family on the level of a country, throughout the bodies of the democratic institutional system, with an invasion of the powers of state and its set of tools. Compared to the classical mafia, the mafia state realizes the same definitive sociological feature in a different context, making the patriarchal family not a challenger of state sovereignty but the possessor of it. Accordingly, what is achieved by the classical mafia by means of threats, blackmail, and—if necessary—violent bloodshed, in the mafia state is achieved through the bloodless coercion of the state, ruled by the adopted political family. In terms of the patterns of rulership, the exercise of sovereign power by the "Godfather" (the chief patron), the patriarchal family, the household, the estate, and the country are isomorphic concepts. On all these levels, the same cultural patterns of applying power are followed. Just as the patriarchal head of the family is decisive in instances disposing of personal and property matters, also defining status (the status that regulates all aspects of the personal roles and competencies among the "people of his household"), so the head of the adopted political family is the leader of the country, where the reinterpreted nation signifies his "household" *(patrimonium)*. He does not govern, but disposes over people; he has a share, he dispenses justice, and imparts some of this share and justice on the "people of his household," his nation, according to their status and merit. Furthermore, in the same way that the classical mafia eliminates "private banditry,"[86] the mafia state also sets out to end anarchic corruption, which is replaced by a centralized and monopolized enforcement of tribute organized from the top. In essence, the mafia state is **the business venture of the adopted political family managed through the instruments of public authority.**

As it can be seen from the previous paragraph, the description of the mafia state incorporates the concepts previously associated with political-economic clans, patrimonialism, and

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[84] Hobsbawm, *Primitive Rebels*, 55.

[85] There exist other definitions of "mafia": for instance, economists define it as a private agency of protection (see Gambetta, *The Sicilian Mafia*). Obviously, we do not use the concept in that sense. The reason we adopted a different definition, and particularly Hobsbawn's, is precisely that we want to define the mafia state by the features he designated as definitive. Definitions that emphasize other features may well work in other contexts, but in the context of this book, "mafia" should be understood only in the sense we defined it above.

[86] Hobsbawm, *Primitive Rebels*, 40.

predation (top-down disposition of property relations). The element of criminality is implied, too; although the adopted political family uses the means of public authority, it also commits illegal acts. After all, no law prescribes that public monies should always go to the same person or group (of loyal clients), nor that the instruments of public authority should intensify supervision and inspections against targets or enemies of the adopted political family (let alone upon the chief patron's order). To be more precise, the statutory definition of crimes committed by the mafia state's leading political elite include extortion, fraud, embezzlement, misappropriation, money laundering, insider trading, bribery of officials (both the active and passive forms of these last two), abuse of authority, buying influence, racketeering, etc.[87] This is exactly why the mafia state disables prosecution, or rather takes it over and activates it against targets only [→ 4.3.5.2]. In effect, criminality in the mafia state is split into **authorized and unauthorized illegality**, where the latter is prosecuted and the former is not [→ 5.3.4]. Thus, the accusation of criminality is done not from an external moral position but according to the regime's existing (criminal) law, the enforcement of which is hindered by the full appropriation of the state by the adopted political family.

2.4.6. Constitutional State vs. Mafia State: Normativity and Discretionality

Having defined the mafia state, which is the state *par excellence* of elite interest, it is worth making a comparison with the constitutional state, which is the state *par excellence* of societal interest. As we mentioned, the former prevails in patronal autocracies whereas the latter, in liberal democracies. Going through the four dimensions of interpretative layers, **the nature of the ruling elite in a constitutional state is one of a constrained elite**, strictly confined to the sphere of political action [→ 2.2.2.2]. This does not mean there is no connection between the spheres. On the contrary, political actors form relations with economic as well as societal actors [→ 5.3]. But this takes—ideal typically—the form of transparent, regulated cooperation, whereas the spheres of social action remain separated in the sense that the actors, while they individually can fulfill different social roles (for example, a politician can also be a mother), their actions and motives in one role do not influence their actions and motives in the other role (the mother-politician does not make decisions to favor her children). **In the mafia state**, however, the spheres of social action collude and the ruling elite takes the form of a clan, that is, an informal patronal network based on patriarchal domination [→ 3.6.2.1]. In this case, **the ruling elite is unconstrained** and rests upon permanent, informal and illegal ties of vassalage, enmeshing all three spheres of social action. Furthermore, **a mafia state features a single-pyramid power network**, where other (formal or patronal) pyramids are subjugated, marginalized or eliminated, whereas **a constitutional state features a multi-pyramid power network**, where the leading political elite coexists with (1) independent branches of government and independent institutions (such as a constitutional court) and (2) independent opposition, which has (a) resources—including both party financing and the property rights of supporting economic actors—independent from the decision of the country's head [→ 3.7.1.1] and (b) winning chances

[87] Magyar, "The Post-Communist Mafia State as a Form of Criminal State."

not hampered by illegal campaign financing of the rulers and one-sided changes of the electoral law [→ 4.3.3.2]. In short, a constitutional state features **pluralism**, which is also a defining feature of liberal democracy [→ 4.4.1].

Closely related is the dimension of **the action targeting state institutions**. By formal rules, both a constitutional and the mafia state feature democratic institutions, such as multi-party elections and checks and balances of power. However, **while in a constitutional state the *de jure* institutional framework and the *de facto* practice coincide, in a mafia state they diverge**. A mafia state is a neopatrimonial or neosultanistic state, which means that the ruling elite understands the regime as their private domain and the democratic institutional setting is a mere façade [→ 4.3]. **The legality of state action**, while immediately undermined by the actual criminal acts mentioned above, follows directly from this feature as well. As opposed to a traditional patrimonial state where political power "indeed operates primarily on the basis of discretion," without formal limits and not requiring reaffirmation from its subjects,[88] a democratic system has an elected leader whose tasks and authority are strictly delimited by the constitution. **A constitutional state might feature illegality as non-structural deviation, but the constitution is respected** and the rulers do not engage in criminal acts themselves. In contrast, when the chief patron builds a single-pyramid patronal network on the national level and informal rules are respected over formal ones, lawfulness is violated—which is the very reason for disabling institutional checks. **A mafia state is also a criminal state where the chief patron acts beyond his formal authorization** and runs the country as a criminal organization of the single-pyramid patronal network.

To analyze the last dimension (action targeting property), it is worth invoking the framework North and his colleagues propose in the book *Violence and Social Orders*. In their interpretation, social orders of recorded human history can be divided into two groups: open-access and limited-access orders ("natural states"), the names of which refer to the non-rulers' and non-elites'—the masses'—"access to valuable resources—land, labor, and capital—or access to and control of valuable activities—such as trade, worship, and education."[89] Among the several differences they list between these two orders, the most important for us now is the criterion of impersonality. "Impersonality means," the authors explain, "treating everyone the same. [It] grows out of the structure of organizations and the ability of society to support impersonal organization forms (i.e., organizations with their own identity independent of the individual identity of the organization's members). In the legal terms that came to characterize impersonal organization in the Western tradition, these are *perpetually lived organizations*: organizations whose existence is independent of the lives of their members" (emphasis in original).[90] According to the authors, open-access orders are "largely impersonal. These societies have the only type of governments that can systematically provide services and benefits to citizens and organizations on an impersonal basis: that is, without reference to the social standing of the citizens or the identity and political connections of an organization's principals. […] An important feature of impersonality is the rule of law: rights, justice, and enforcement are rule bound and impartial. Economies in these states are

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88 Weber, *Economy and Society*, 229.

89 North, Wallis, and Weingast, *Violence and Social Orders*, 30.

90 North, Wallis, and Weingast, *Violence and Social Orders*, 23.

also characterized by impersonal exchange."[91] In contrast, the limited-access order "builds on personal relationships and repeated interaction […]. In natural states, most relationships within the dominant coalition are personal rather than impersonal. Status and hierarchy tend to be defined in terms of a social persona that is unique to individuals, even if those personas share similarities with broader classes. […] Non-elites are not masses of undifferentiated individuals who are treated impersonally. Protection is extended through patronage and clientage networks. The heads of patron-client networks are powerful elites who dispense patronage to clients, provide protection for some aspects of their clients' property and persons, and negotiate arrangements among elite networks […]. The social identity of non-elites is closely tied to the identity of the patronage network in which they are located."[92]

While the entirety of North and his colleagues' description is too broad for the purposes of our framework, several features of open and limited-access orders are useful to interpret liberal democracies and patronal autocracies, respectively. We will examine the creation of limited access through societal patronalization in Chapter 6 [→ 6.2], whereas now we address the personal-impersonal dichotomy. Approaching the feature of action targeting property, a constitutional state's actions in general can be described as impersonal, while a mafia state can be identified precisely by the presence of personal (non-impersonal) action. Throughout the book, we capture this difference by the normative-discretional dichotomy:

- **state action is normative** if its effects depend on objective and formal criteria, not allowing for different treatment of people on the basis of their identity (**impersonal, no double standard**);
- **state action is discretional** if its effects depend on subjective and informal criteria, allowing for different treatment of people on the basis of their identity (**personal, double standard**).

In a constitutional state, state action is normative. Indeed, the essence of the rule of law, in terms of both adjudication of disputes and the respect and protection of property rights, is impersonality and the equality before as well as after the law (that is, enforcement) [→ 4.3.5.1]. When it comes to **action targeting property**, that can sometimes be discretional, like in case of eminent domain [→ 5.5.3], but it is **dominantly normative**. As we mentioned, the state, possessed of the monopoly of legitimate use of violence, extracts resources and redistributes them by the means of taxing and spending. **Taxation** in a constitutional state exists in the form of normative, general and sectoral taxes [→ 5.4.3]. However, the case in the mafia state is less obvious. On the one hand, it is clear that **the mafia state utilizes discretional state action**, in terms of both unequal enforcement of law and predation. As we mentioned, this is closely tied to informality as well, which is not simply about "stealth" and preserving the appearance of legality but that informal institutions are more suited to continuous discretional rewards and punishments than the formal institutions of a modern state (i.e., professional bureaucracy and state administration [→ 3.3.5]). But the mafia state also taxes and has a judicial system which treats a large number of cases of everyday people in accordance with formal law. Indeed, this follows from the way we defined the mafia state's components: by

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91 North, Wallis, and Weingast, *Violence and Social Orders*, 113.

92 North, Wallis, and Weingast, *Violence and Social Orders*, 32–35.

interpretative layers, the features of different states complement and not replace previous state functions. While a predatory state, a mafia state still gets a substantial portion of its revenues from normative taxation [→ 7.4.6].

This problem can be solved by introducing the term **amplitude of arbitrariness**. What "amplitude" means is **the range of choices among different ways of intervention**, or in other words the leaders' ability to intervene negatively and positively at their discretion. **The wider the amplitude of arbitrariness is, the more discretional decision options are available to political actors**, and actual instances of state intervention will be scattered between the two endpoints of the amplitude. This way, the concept of amplitude solves the problem posed by patronal autocracies. The mafia state may act normatively in many instances, but the (systemic) presence of discretional action indicates that the chief patron can decide to step over formal limits and intervene selectively—that is, his amplitude of arbitrariness is wide. Figure 2.2 depicts this, using state concepts associated with legality. We use these concepts because, as we explained above, they show graduality in terms of using the state for elite interest and, therefore, feature different amplitudes of arbitrariness as well.

The wideness of the amplitude of arbitrariness depends on the range of state institutions the leading political elite appropriates. **The more institutions are patronalized by the same network, the wider the amplitude is**, which is also because these institutions can be combined to carry out linked actions [→ 2.4.4]. In a partially appropriated state, the patronal network may be able to use one local or state institution or some regulatory agency; in a fully appropriated state, the chief patron can use the parliament, the tax office, the chief prosecutor etc. as parts of a single corrupt machinery, carrying out discretional acts together.

The constitutional state has minimal amplitude of arbitrariness. Although corruption may appear as non-structural deviation, its quantity is minimal and and its quality is much less important in contrast to other state types. In such states, the rule of law generally holds and property rights are upheld impersonally. Not even the above-mentioned eminent domain is at the leaders' discretion, being heavily regulated and subject to appeal.[93] As North and his colleagues point out, economic actors in such regimes "do not need to participate in politics to maintain their rights, to enforce contracts, or to ensure their survival from expropriation; their right to exist and compete does not depend on maintaining privileges."[94]

Jumping to the end of the scale, **the mafia state has maximal amplitude of arbitrariness**. The chief patron disposes over status and property using the instruments of public authority, which are completely under the control of the adopted political family. As for action targeting property, the maximum amplitude allows the mafia state "to intervene selectively in the judiciary to reward supporters and punish opponents when needed, but also gives right-holders some confidence that their rights will be respected in more mundane cases. This allows right-holders to use their assets productively when they do not challenge interests of the ruler, while also generating tax revenue for the ruler."[95] In essence, **property** in such regimes **has a conditional character**: those at the top of the social hierarchy get there and

93 Cf. Sullivan, "A Brief History of the Takings Clause."

94 North, Wallis, and Weingast, *Violence and Social Orders*, 112.

95 Frye, *Property Rights and Property Wrongs*, 137.

receive property by the decision of the chief patron, who can also confiscate their property (as well as any other actor's) on a discretional basis [→ 5.5.4].[96]

Figure 2.2. The amplitude of arbitrariness (correlation between the nature of corruption and state action).

level of corruption
maximum amplitude of arbitrariness
criminal state
captured state
corrupt state
negative
positive
nature of state action
state
nature of state action
D_3 D_2 D_1 N D_1 D_2 D_3

N: normative action, D_1: discretional as structural deviation, D_2: discretional as non-structural deviation,
D_3: discretional as constitutive element,
Note: the dotted lines are added lines for the sake of clarity.

We may sum this part up by pointing out that, in our discussion, **we dissolved mainstream axioms about state functioning with respect to all four dimensions**, axioms that apply well to constitutional states but not to mafia states. First, the ruling elite is typically presumed be a formal organization, like a party or government, and it is like that in a liberal democracy. In patronal autocracy, however, the ruling elite is an informal organization, an adopted political family, where actors are to be recognized primarily by their informal titles to which formal titles may be attached secondarily. Second, the principle of societal interest is typically presumed with respect to the action targeting state institutions, as the ruling elite is imagined as a server of certain (smaller or bigger) societal groups or classes, for the interest of whom public policies are implemented. In this dimension, the mafia state is a neopatrimonial/neosultanistic state: the ruling elite runs not only on the principle of elite interest but treats society as private domain, within the façade of democratic institutions. Third, the state is imagined to take over monetary property and redistributing it from one social group to another. In contrast, the distinctive feature of a mafia state is predation, meaning not taxation in the principle of societal interest but takeover of companies and other non-monetary property for the ruling elite's interest. Finally, it is typically presumed that corruption is something the state fights, whereas the ruling elite creates laws it wants to maintain and not break. But when the ruling elite is not formal but informal, it can and must commit illegal actions to relegate the formal institutional setting into a role of secondary importance vis-à-vis informal interests and the chief patron's orders. Unlike a constitutional state, **the mafia state is not the guardian of the law, but the monopolist of its offense** [→ 5.3.4].

[96] Ryabov, "The Institution of Power&Ownership in the Former USSR"

2.5. Challenges to the Monopoly of Violence

2.5.1. State Failure, Violent Entrepreneurs, and Oligarchic Anarchy

In differentiating state types, we presumed that each of the above-described states fulfill the criteria of "state" defined in the beginning of the chapter. These criteria were (1) having a monopoly on the legitimate use of violence, which (2) the state is able to utilize to extract, manage and distribute resources within the borders of a certain territory [→ 2.2.1]. In the post-communist region, however, the transition period has seen several institutions that were nominally states but failed to fulfill either or both of the aforementioned attributes. Indeed, **the stability of the state after the regime change** was preserved without any break only in the Western-Christian historical region. For the formal-rational approach that appeared in the nature of the local communist systems was not in major contradiction with the ethos of Weberian professional bureaucracy [→ 1.4.2], and therefore such states could carry out a transition that never pushed them to the verge of failure. In the Islamic region, the dismantling of stateness could be prevented only when old communist structures themselves—especially the top levels of the party and secret service nomenklatura—turned directly into the "reformed" national centers of power, whereby the monopoly of violence did not slip out of the rulers' hands.[97] Yet that region already featured state failure and civil wars, most notably in the case of Tajikistan (which nevertheless became a patronal autocracy afterwards).[98] Finally, in the Eastern-Orthodox historical region neither a complete transfer of previous power nor rational-bureaucratic foundations were present. In this region, it depended on the dynamics of competing patron-client networks whether state power could be solidified, and often it took years before a proper state emerged as the local monopolist of legitimate use of violence in the given country.[99]

The best example for an enduring period of state failure is Russia in the 1990s, as described by Vadim Volkov in his seminal work *Violent Entrepreneurs*.[100] As Volkov explains, after the collapse of the Soviet Union the Russian state lost its monopoly of the legitimate use of violence as competitors emerged—in large part from the organized underworld—who were treated as legitimate providers of information, security, enforcement, and dispute settlement by private actors of the economy (see Box 2.5). According to contemporary sources, even in 1998 twenty-five hundred banks and seventy-two thousand commercial organizations had their own security services in Russia.[101]

To be able to conceptualize such state of affairs, we need to create concepts for its three main elements: (1) the state, (2) the competitors of state in the market for protection,

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[97] Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*.

[98] Hale, *Patronal Politics*, 153–55. Indeed, the only patronal democracy in the region in Kyrgyzstan [→ 7.4.1].

[99] For further discussion, see Melville, Stukal, and Mironyuk, "Trajectories of Regime Transformation and Types of Stateness in Post-Communist Countries."

[100] Volkov, *Violent Entrepreneurs*. The phenomenon is also discussed in Varese, *The Russian Mafia*.

[101] Quoted by Ledeneva, *How Russia Really Works*, 178.

and (3) the polity which these entities comprise. As for the state, we may start from the notions of failed state and state fragility.[102] As scholars have noted, there are several different (combinations of) aspects in which a state can fail[103] and using the term "failed state" for all of them has resulted in conceptual stretching in the literature, for differently failing states constitute a heterogeneous set of cases in terms of causes, dynamics, and solutions.[104] To avoid this problem, we narrow down the definition of failed state to the aspect of the monopoly of violence:

- **Failed state** is an institution that is *de jure* a state but *de facto* fails to keep the monopoly of the legitimate use of violence. In other words, such a "state" degrades into a competitor on the market for violence.

This definition fits the nominal state in the situation described above. As Volkov writes, "[the] image of the state as one private protection company among others does more justice to the reality in question than a view of the state as the source of public power."[105] Indeed, the state in this situation is more than one of the several **violence-managing agencies**, that is, an institutionalized set of actors who legitimately use violence in a polity.[106]

In the three polar types regimes we previously talked about—indeed, in all six ideal type regimes—the state is the only violence-managing agency. This is precisely what the "monopoly of the legitimate use of violence" means. In a regime featuring a failed state, however, the state faces competition from actors who may be called, following Volkov's conceptualization, violent entrepreneurs:[107]

- **Violent entrepreneur** is a private actor who offers services on the market for violence. On this market, the offered services either include (1) protection, related to the institutional framework of economic and social functioning—such as information, security, enforcement, and dispute settlement—or (2) attacks against rivals or targets.

Two distinctions must be made with respect to violent entrepreneurs. First, **not everyone who uses violence is also a violent entrepreneur**. A violent entrepreneur (1) not only uses violence, but also offers it to other actors as a service and (2) those other actors accept these offers as legitimate. Peter Pomerantsev captures this sensitively: "gangsters [in Russia after the regime change] didn't just extort and steal. Businessmen called them in to guarantee deals (if one partner reneged, the gangsters would sort him out); people turned to them instead of the uninterested police to catch rapists and thieves. They became the establish-

[102] For an introduction to the literature, see Naudé, Santos-Paulino, and McGillivray, *Fragile States*.

[103] Grävingholt, Ziaja, and Kreibaum, "State Fragility."

[104] Call, "The Fallacy of the 'Failed State.'"

[105] Volkov, *Violent Entrepreneurs*, 26.

[106] Volkov regards only private protection organizations as violence-managing agencies (see Volkov, 64–96). However, as he himself argues that the state is to be understood as a *de facto* private protection agency, we find expanding the definition justified.

[107] Volkov, *Violent Entrepreneurs*, 27–63.

ment, the glue that holds everything together. In this new world no one knew quite how to behave: all the old Soviet role models had been made redundant, and the 'West' was just a story far away."[108] Fulfilling such a social role, violent entrepreneurs contrast sharply to ordinary criminals or violent actors in non-failed states. For the latter are not regarded as legitimate, and therefore their presence does not disrupt the state's monopoly of the legitimate use of violence. But the people choosing violent entrepreneurs over the *de jure* state makes it a failed state, deprived of its monopoly of legitimate violence. (Also, this is why we, when the services of a violent entrepreneur are offered not by a person but an organization, can speak about a violence-managing agency.)

Second, a violent entrepreneur should not be understood as an economic actor who uses violence in market affairs. To be sure, he might coerce other people to accept his services—like in case of the mafia which, as a private violence-managing agency, provides protection and extorts protection money in exchange[109]—but this is not a necessary part of the profession. What is necessary is that the violent entrepreneur enters into a so-called **enforcement partnership** with other actors, meaning that he provides any of the above-mentioned services to them.[110] And, as the quote from Pomerantsev implied, some private actors are more than willing to contract with violent entrepreneurs if the state fails to provide the useful services related to violence, such as protection of property rights and contract enforcement. Furthermore, violent entrepreneurs can be hired to attack rivals as well, such as in case of *reiderstvo* (takeover of companies by the use of force [→ 5.5.3.1]).

Having defined the state and its competitors, the only element that is missing from the picture is the polity that is made up of these phenomena. Given the lack of monopoly of the legitimate use of violence, we may start from the notion of **anarchy**. Anarchy is generally defined as the absence of government, meaning there is no agency that meets the definition of state (the monopolist of the legitimate use of violence).[111] Yet "anarchy" as such is too broad a term from two respects. First, it is too broad because it covers cases (a) where there is a formal state but it is a failed one and also (b) where there is no formal state at all. Second, it is not specific enough because it does not say anything about the new power centers, that is, whether there are actors who are the chief hirers and controllers of violent entrepreneurs (and if so,

Box: 2.5. Anarchic conditions in Russia in the 1990s.

"The business of private protection that proliferated shortly after the establishment of formal property rights [in] Russia consists of producing a substitute for trust in a market economy where [. . .] the state justice system is ignored. Russian organized crime, therefore, may be seen as a response to a certain institutional demand by the nascent market economy, namely, the need to protect property rights, a need not satisfied by public protection and enforcement agencies. [. . .] The period between 1987 and 1992 entailed a rapid proliferation of racketeering gangs and informal protective associations of various kinds [. . .]. To be sure, many criminal groups formed much earlier, but it was only in the later 1980s that protection rackets became the dominant business of organized crime. [. . .] The years between 1992 and 1997 saw ferocious competition between violence-managing agencies for the expanding commercial opportunities. [. . .] During this period, private protection and enforcement became institutionalized and a market for protection emerged. At the same time, the state lost its priority in the realm of protection, taxation, and adjudication." "Since the actions of the state bureaucracy and of law enforcement remain arbitrary and the services provided by the state tend to have higher costs, private enforcers (read: the Mafia) outcompete the state and firmly establish themselves in its stead." "[The] Russia of the 1990s was close to the state of nature, where anarchy rather than hierarchy prevails."

- Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism*, 1st edition (Ithaca: Cornell University Press, 2002), 18–26.

108 Pomerantsev, *Nothing Is True and Everything Is Possible*, 27.

109 Gambetta, *The Sicilian Mafia*.

110 Volkov, *Violent Entrepreneurs*, 40–63.

111 "Anarchy."

who they are). Indeed, in Russia and in some other post-communist countries where similar situations prevailed, these power centers were occupied by so-called **oligarchs** [→ 3.4.1], wealthy businessmen who got particularly rich and influential after the privatization period [→ 5.5.2].[112] Oligarchs posed the primary demand for the services of violent entrepreneurs, including both protection and the attack of rival oligarchs and businessmen.

Therefore, the polity that Russia-like polities evolved into as a result of the regime change may be conceptualized, not simply as anarchy, but as oligarchic anarchy:

- **Oligarchic anarchy** is a regime which is characterized by a failed state and an oligopoly on the market for protection, featuring competing oligarchs as the new power centers (main hirers of violent entrepreneurs). While failed, the state still remains the largest political power center of the regime, but it is accompanied by other centers of legitimate use of violence.

It is an important feature of an oligarchic anarchy that **none of the oligarchs become dominant**, and therefore the polity remains multi-centered in terms of political power. Indeed, this situation resembles **patronal democracy**, which features a competition of patronal networks of roughly equal size, ensuring that none of them can become dominant [→ 4.4.2]. The main difference between them is, of course, the state. In a patronal democracy, the state's monopoly of the legitimate use of violence is not questioned, and oligarchs may have access to violent services through the state only (and therefore they engage in state capture). In an oligarchic anarchy, violence management is handled in the private sphere by the oligarchs themselves.

2.5.2. The Legitimate Use of Violence: A Typology

Comparing the previously described situation to the previous parts of the chapter, it should be clear that **none of the states described in Parts 2.3–4 can be failed states**. For each of those states started from the general definition of the state, meaning that their monopoly of the legitimate use of violence was ensured.

However, the previously defined states were indeed **a heterogeneous group in terms of state power**. This can be best illustrated by turning to the three state types defined by the interpretative layers of legality: corrupt state, captured state, and criminal state. In the case of a **corrupt state**, what we can speak about is not a failed, but a weak state:[113]

- **Weak state** is a *(de jure)* state which is unable to utilize the (monopoly of) legitimate use of violence because of the disobedience of the state apparatus. In other words, while a weak state is regarded as the only legitimate user of violence, the way in which it is used is not determined by the ruling elite but other actors (inside or outside the state apparatus).

[112] Granville, "'Dermokratizatsiya' and 'Prikhvatizatsiya'." Also, violent entrepreneurs whose activity gets a legal form can themselves be regarded as oligarchs.

[113] Cf. Malejacq, "Warlords, Intervention, and State Consolidation."

The corrupt state is a weak state because while the state apparatus gets orders from the ruling elite (that is, laws are created which the apparatus should enforce), it does not comply with these orders.[114] On the contrary, the members of the apparatus either (a) make compliance (i.e., enforcement of laws) dependent on the payment of bribes, or (b) they start using their state power for predation, that is, takeover of private assets by the means of public administration (grey raiding [→ 5.5.3.1]). Under a weak state, it is typical for members of the public administration to become independent entities and abuse their public positions for private gain. They do this in a disorganized, highly competitive manner, and they can do it either for themselves or—acting as violent entrepreneurs—for certain oligarchs who hire them [→ 3.4.1].[115] Indeed, this phenomenon has been observed mainly in developing states during periods of oligarchic anarchy,[116] which indicates that **a failed state is also, ideal typically, a weak state** (as well as a corrupt state). The adjectives indeed refer to different aspects of stateness: "failed" means the rulers cannot exercise control over the market for legitimate violence outside the state, whereas "weak" means that the rulers cannot exercise control over its own bureaucracy inside the state (and "corrupt" refers to the presence of bribes).

In contrast, the state is an appealing target to capture if it is not weak, meaning the laws that state capture influences will indeed be enforced. Thus, a **captured state** assumes at least a normal state:

- **Normal state** is a state which keeps the monopoly of the legitimate use of violence and is able to utilize it within constitutionally set boundaries. In other words, a normal state is regarded as the only legitimate user of violence and the way in which it is used is determined by the ruling elite, but there are institutional control agents who can enforce formal rules to keep the rulers in check.

Naturally, that the state is constitutionally constrained is not necessary for a capturer; indeed, an unconstrained state can serve the capturer with greater power and therefore it is a more desirable target than a constrained one.[117] However, states in the post-communist region which underwent formal democratization are *de jure* constitutionally constrained. In order to eliminate these constraints, one has to disable constitutional checks and balances (control mechanisms), to which constitutional power is required—which, however, almost certainly leads to a **criminal state**. By the dimension of state strength, an unconstrained state may be conceptualized as a strong state:

- **Strong state** is a state which keeps the monopoly of the legitimate use of violence and is able to utilize it without constitutional constraints. In other words, the ruling elite of a strong state determines the way in which state power is used and there are no institutional control agents who can enforce formal rules to keep the rulers in check.

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114 Naturally, corruption is not the only possible case for state weakness, which can also be the result of lack of bureaucratic culture, among other things. See Huntington, *Political Order in Changing Societies*, 61.

115 Markus, *Property, Predation, and Protection*.

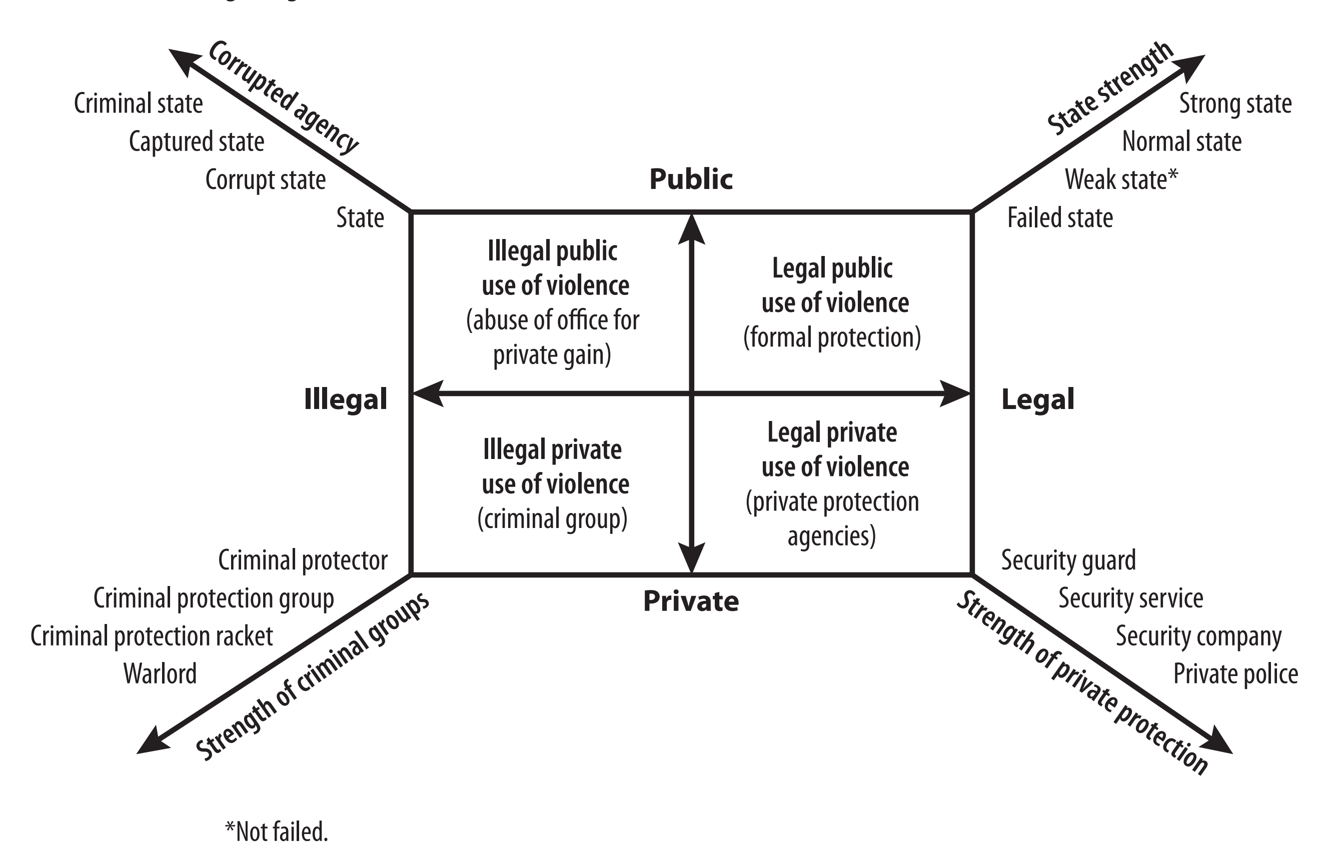
116 Markus, "Secure Property as a Bottom-Up Process."

117 Cf. Holcombe, *Political Capitalism*, 2018, 246–49.

Indeed, using these newly defined state categories, we can draw up a **scale of state strength**, ranging from failed state through weak and normal state to strong state. The other scale that puts corrupt, captured and criminal states in an ascending order adds the dimension of illegality, that is, when the power of the state is used illegally rather than legally. In other words, with the two scales we can draw up **an interpretative framework for the use of violence by public institutions**: on the one hand, by how reliably a state can use violence, it can be failed, weak, normal or strong. On the other hand, if this power is used illegally, the weak, normal and strong states become corrupt, captured and criminal states respectively.

This interpretative framework can be augmented by adding the dimension of the legitimate **use of violence by private institutions**—not the state, but the violent entrepreneurs. Indeed, Volkov suggested a similar framework, differentiating four types of protection by the dichotomies of legality/illegality and public/private nature.[118] However, we can expand the typology of illegal-public, legal-public, illegal-private and legal-private use of violence by specifying 4–4 ideal types of each on ascending scales—which is exactly what we have already done with legal- and illegal-public violence above (Figure 2.3).

Figure 2.3. Violence-managing agencies and agents of different strength by the public/private and illegal/legal dichotomies.



*Not failed.

[118] Volkov, *Violent Entrepreneurs*, 167–73.

As for the subtypes of legitimate private users of violence, we may define four subsequent types of **legal violent entrepreneurs** as follows:[119]

- **Security guard** is a legal violent entrepreneur who is hired to provide some service of protection alone.

- **Security service** is a legal violence-managing agency (violent enterprise) which is hired to provide some service of protection to a single actor or institution.

- **Security company** is a legal violence-managing agency (violent enterprise) which is hired to provide some service of protection to numerous actors or institutions.

- **Private police** is a legal violence-managing agency (violent enterprise) which is hired to provide some service of protection to every actor and institution in a certain geographical area.

In contrast, the four types of **illegal violent entrepreneurs** may be listed as follows:[120]

- **Criminal protector** is an illegal violent entrepreneur who provides some service of protection alone to a single actor or institution. He is either hired or forces his customers to accept his services.

- **Criminal protection group** is an illegal violence-managing agency (violent enterprise) which provides some service of protection to a single actor or institution. It is either hired or forces its customers to accept its services.

- **Criminal protection racket** is an illegal violence-managing agency (violent enterprise) which provides some service of protection to numerous actors or institutions. It forces its customers to accept its services.

- **Warlord** is an illegal violent entrepreneur who provides some service of protection to every actor and institution in a certain geographical area. He forces his customers to accept his services with the help of a militia (a group of violent actors hired by the warlord).

It should be noted that criminals or criminal groups usually also engage in a variety of other illegal activities beyond protection. However, the logic of conceptualization here is similar to that of interpretative layers, when every state label referred to a single aspect of the state [→ 2.4]. Indeed, the types of illegal violent entrepreneurs given above also refer to only one aspect of criminal actors, namely violent entrepreneurship in the above-defined sense.

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119 Cf. Varese, *The Russian Mafia*, 55–72.

120 For a more comprehensive analysis of illegal violent entrepreneurs, see Berti, "Violent and Criminal Non-State Actors."

While a criminal protection racket fits the economic definition of (classical) mafia as a private protection agency,[121] the warlord is recognized in the literature as "the leader of an armed band […] who can hold territory locally and at the same time act financially and politically in the international system without interference from the state in which he is based."[122] Indeed, the warlord acts as the leader of a "state in a state," and should there be no state above him, he would be the *de facto* ruler of a strong state.[123] This link between the lower left and the upper right ends of Figure 2.3, as well as the importance of the relation of the warlord to the state, leads us to the question of what kind of **connections** may exist **between the types of violence-managing agencies and agents** (Table 2.10). First, as we treat the state as a single unified entity, the connection **between the legal and illegal public users of violence** can only be that of **correspondence**. Indeed, this is what we explained already above: the corrupt state corresponds to a weak state, the captured state corresponds to a normal state, and the criminal state corresponds to a strong state.[124] Naturally, if the state functions dominantly legally, every category from weak to strong state corresponds with the ideal type "state," which is the conceptual starting point of the scale of state corruption. Second, the situation **between the legal and illegal private users of violence** is different as they are separate entities. By default, they are **fighting** each other, given that they are on different sides of the law. But alternatively, peaceful coexistence can be imagined between them in cases of **informal collusion**, formed in spite of the law but perhaps out of necessity or rational consideration of costs and benefits. Third, the same kind of relations of fighting or informal collusion may exist **between illegal-private and legal-public users of violence**, out of the same considerations. The state may make informal peace with a warlord, who is at odds with the law but against whom the state realizes a war would be too costly.[125]

Table 2.10. Relations between violence-managing agencies (agents) of different status.

	Illegal-public users of violence	Illegal-private users of violence	Legal-private users of violence
Legal-public users of violence	correspondence	fight / informal collusion	legal franchising
Legal-private users of violence	legal franchising / informal collusion	fight / informal collusion	n.a.
Illegal-private users of violence	illegal franchising	n.a.	n.a.

[121] Gambetta, *The Sicilian Mafia*.

[122] MacKinlay, "Defining Warlords."

[123] Mancur Olson famously argued that the first states were founded by warlords—or "stationary bandits," as he calls them—who started acting as tyrants and set up institutions to exercise their power over a geographical area for a longer period of time. Olson, *Power and Prosperity*.

[124] If we wanted to divide the state up to legally and illegally acting actors, we could say the legally acting ones are at antagonistic relation with the illegally acting actors, since a more indulgent attitude from a legal actor is itself illegal (so committing it would make the legal actor illegal, too).

[125] Russell, "Chechen Elites: Control, Cooption or Substitution?" Also, cf. Mukhopadhyay, *Warlords, Strongman Governors, and the State in Afghanistan*.

Fourth, **public actors**—both legal and illegal—**can legally franchise state coercion to private-legal users of violence.** Indeed, the state can hire private security guards, services or companies to protect public actors or property, and can even franchise the function of protection to a private police force if the state is unable to hold a territory by its own forces. Indeed, the failed state of Russia in 1992 adopted "the pivotal Law on Private Protection and Detective Activity, which legalized private protection agencies and for several years formally sanctioned many of the activities already pursued by racketeering gangs and other agencies. It turned many informal protective associations into legal companies and security services, and their members into licensed personnel."[126] This means that when the state failed and protection was taken over by then illegal violent entrepreneurs, the state decided to formalize this relationship and created a legal environment where illegal actors became legal violent entrepreneurs, with formal relation to the state.

What is important to notice here is that, **in case of legal franchising, the state's monopoly on the legitimate use of violence does not break down**. Rather, it is more like decentralizing a previously centralized state activity, which still remains a monopoly of the state and can be pursued only by those who are hired by—in this case, get franchise from—the monopolist. Similarly, the state does not become a *de facto* failed state in case of **illegal franchising of state coercion** either, which takes place when relations are formed **between illegal-public and private users of violence**. State coercion may be illegally franchised when the illegally acting public actor (typically the chief patron in a criminal state) wants to use the kind of violence that would be politically harmful to perform via formal/public institutions. In this case, the illegal-public actor can use black coercion [→ 4.3.5.4] which means illegally franchising state coercion to legal-private actors—such as football ultras—or illegal-private actors—such as paramilitary groups or the criminal underworld.[127] Indeed, illegal-public users of violence might even franchise state coercion to warlords if the country is especially big and the chief patron does not have enough power to reach certain regions.

2.5.3. Sub-Sovereign Mafia States

The aspect of regionalism brings us to a final differentiation. For the sake of simplicity and clarity of presentation, we have treated the state as a single unified entity. But it needs to be noted that, **while the state has a monopoly of the legitimate use of violence, it can be centralized as well as decentralized**. Typically, it is decentralized, meaning the state administration is divided into more parts, most importantly **the central government and the local governments**. Local governments are sub-sovereign entities that—according to liberal democratic theory—should represent regional or local democracy, and allow people to select local leaders who can focus on their specific needs and problems [→ 4.4.1].[128] However, **local governments may become corrupt, captured or criminal** even when the entirety of the state is not. In such cases, local leaders are illegal-public users of violence who are against the central leaders, who are legal-public users of violence. But they may also enjoy

[126] Volkov, *Violent Entrepreneurs*, 24.

[127] Stephenson, "It Takes Two to Tango."

[128] Loughlin, Hendriks, and Lidström, "Subnational Democracy in Europe."

relative autonomy in a setting where law enforcement is weak and/or the ruling elite is not interested in breaking them down. Such situations prevail in patronal democracies like Romania, where so-called "local fiefdoms" *(baronni locali)* are constructed primarily around local elected leaders, county council presidents and mayors, and the leaders of local institutions.[129]

For the purposes of our framework, we define one specific case, when local governments become criminal states but they are in informal collusion with the central criminal state, which delegates sovereignty to them. For such local entities, we introduce the term sub-sovereign mafia state:

● **Sub-sovereign mafia state** is a type of local or regional government which works as a mafia state on the local level. It is part of a larger political entity and, in case that entity is a (nation-level) mafia state, it may prevail only if it its leader is authorized by the chief patron to commit illegal action in his area.

In the following chapters, we are going to explore regional sub-patrons in so-called multi-tier single-pyramids [→ 2.2.2.3] and sub-sovereign mafia states in the context of market-exploiting dictatorships [→ 5.6.2.3]. Indeed, this immediately indicated that such states can exist in polities with normal or strong (not weak or—in terms of its competences—emptied) local governments, including the above-mentioned patronal democracies. Focusing on criminal states now, it is worth recalling an example from Russia—**the Komi Republic governed by Vyacheslav Gaizer**. As Miriam Lanskoy and Dylan Myles-Primakoff write, "Gaizer, […] a prominent national leader of the ruling United Russia Party, was appointed governor by President Dmitriy Medvedev in 2010 and reappointed by Putin in 2014. […] As detailed in opposition activist Ilya Yashin's report 'The Criminal Russia Party,' the operations of Gaizer's team were essentially indistinguishable from those of a classic mafia group. For years, the ex-governor's outfit used both violent and political tactics to seize assets and extract bribes from local businesses."[130] As these activities were well known and reported in the media but received no official response, the Komi represented a clear case of a sub-sovereign mafia state. Indeed, Gaizer and his network engaged in **authorized illegality** with the blessing of the

Box 2.6. The official description of a mafia state.

"The FSB of Russia and the Investigative Committee of the Russian Federation stopped the activities of the criminal organization led by the head of the Komi Republic, Vyacheslav Gaizer, his deputy Alexei Chernov, as well as Alexander Zarubin and Valery Veselov. [. . .] On September 18, 2015, the Office for the Investigation of Particularly Important Cases of the Investigative Committee launched criminal proceedings against 19 leaders and members of the criminal organization who committed crimes under articles 210 (racketeering) and 159 (fraud) of the Russian Criminal Code between 2006 and 2015 Federation. [. . .] The purpose of the criminal organization headed by Zarubin, Gaiser, Chernov and Veselov was to seize state property in a criminal way. [. . .] It should be noted that this criminal organization was distinguished by the scale of its activity, expressed in the interregional and international nature of the criminal actions of its participants, the hierarchical structure of the criminal organization, the cohesion and close relationship of the leaders and participants [. . .], the strict subordination of lower members to their superior, [and] the well-developed conspiratory system of protection from law enforcement."

– Vladimir Markin, the official representative of the Investigative Committee of Russia (quoted in "СК Назвал Главу Коми Лидером ОПГ [SK Called the Head of Komi the Leader of a Criminal Organization]," Vzglyad, September 19, 2015, https://vz.ru/society/2015/9/19/767774.html; excerpt translated from Russian)

129 Magyari, "The Romanian Patronal System of Public Corruption," 291.

130 Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 78. Also, see Yashin, "Criminal Russia Party."

state's top leaders—and this, according to Lanskoy and Myles-Primakoff, "was more the rule than the exception"[131] [→ 5.3.4.2].

Gaizer was eventually arrested on charges of fraud and racketeering with 18 of his associates in 2015.[132] Ironically, if we take a look at the Russian Investigative Committee's official description of Gaizer's "criminal organization," it clearly outlines the contours of the mafia state—applicable not only to Komi but other sub-sovereign mafia states, as well as to the central mafia state of Putin himself (see Box 2.6). It was later reported that Putin had known about Gaizer's planned arrest, whereas experts opined that the reason for the breakdown was the decrease of distributable rents in the declining economy [→ 7.4.6], in addition to the signaling effect of creating fear and discipline among other members of the adopted political family.[133] Indeed, the Komi case demonstrated two important aspects of sub-sovereign mafia states: (1) while the chief patron can grant autonomy and protection (*krysha* [→ 3.6.3.1]), this situation is conditional and the chief patron has the power to take his support back; (2) the chief patron shall not intervene in the everyday business of sub-sovereign mafia states but only in the appointment and removal of top patrons and their local court [→ 7.4.3.1]. Relying on a law enforcement that is politically selective upon his informal orders [→ 4.3.5], the chief patron can crack down on sub-sovereign mafia states under extraordinary circumstances, although he may guarantee considerable (conditional) freedom under normal times—just like in case of Gaizer, who was Komi's minister of finance in 2003–2010 and president in 2010–2015.

2.6. The Invisible Hand and the Grabbing Hand: A Comparative Framework for State Types

In the previous section, we focused on the challenges to the state's monopoly of violence, and put emphasis on violent entrepreneurs vis-à-vis the failed state. However, it should not be forgotten that even a failed state is a legitimate user of violence, a non-monopolist violence-managing agency, and it therefore has some ability to extract, manage and distribute resources within its borders. Moreover, scholars like Markus underline the fact that failed states, or more precisely **the disorganized bureaucrats of failed states, employ predatory practices**, using the state power vested in them to engage, illegally, in coercive appropriation of non-monetary property (e.g., companies) for their private gain.[134] Although it appears in different forms, **predation is a common trait in failed and predatory states**, that is, in two state types that are otherwise vastly different. After all, a predatory state not only maintains the monopoly of the legitimate use of violence but it is also a strong state, as opposed to a failed state that is weak.

131 Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 79.

132 "СК Назвал Главу Коми Лидером ОПГ [SK Called the Head of Komi the Leader of a Criminal Organization]."

133 "Гайзергейт [Gaizergate]."

134 Markus, *Property, Predation, and Protection*. We offer a typology of *reiderstvo* in Chapter 5 [→ 5.5.3.1].

Similar parallels between seemingly remote state types can be noticed. **Maximum amplitude of arbitrariness is a common trait in mafia states and developmental states**.[135] Indeed, when authors see a mafia state they often mistake it for a developmental state. For they focus only on this aforementioned aspect of "picking the winners" while missing the point that the respective state bears the characteristics of such states—clan, neopatrimonial, predatory and criminal state—that run on the principle of elite interest and not on societal interest or ideology implementation.[136] Another parallel is between **the party state and the welfare state: both rely on the dominance of formal institutions and normative state action** that targets groups and not individuals. Kornai goes so far as to call the Hungarian reform communist state a "premature welfare state," drawing a parallel in universal entitlements.[137] Yet it is true of the classical Stalinist model as well (which the ideal type of communist dictatorship is based on) that it targets groups, namely classes in the process of nationalization and collectivization [→ 5.5.1].

To be able to see such similarities without the risk of confusing different state types, a comparative framework can be created. We develop this framework as an extension of an often-cited article by Timothy Frye and Andrei Shleifer, who attempted to situate 1990s' Russia in a conceptual space of three ideal-type models of interaction of political and economic actors.[138] According to them, the state of oligarchic anarchy is the closest to the so-called **"grabbing-hand model," which is in contrast to the "invisible-hand model"** (invoking the famous metaphor of Adam Smith). For under the invisible-hand model "the government is well-organized, generally uncorrupt, and relatively benevolent. It restricts itself to providing basic public goods, […] and some regulations, and it leaves most allocative decisions to the private sector."[139] In contrast, in the grabbing-hand model "the government is […] interventionist, but much less organized […]. The government consists of a large number of substantially independent bureaucrats pursuing their own agendas […]. [They] are scarcely guided by a unified public-policy stance, and they remain largely independent of courts, capable of imposing their will in commercial disputes, and empowered to impose on business a variety of predatory regulations."[140] As for the third ideal type model, the authors identify—based on cases like China and South Korea—**the "helping-hand model,"** where "bureaucrats are intimately involved in promoting private economic activity: they support some firms and kill off others, pursue industrial policy […]. The legal framework plays a limited role in this model, because bureaucrats adjudicate most disputes. Bureaucrats are corrupt, but corruption is relatively limited and organized."[141]

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135 Kang, *Crony Capitalism*.

136 Cf. Szentkirályi, "Orbán Viktor félreértett rendszere [Viktor Orbán's misunderstood system]." Also, see Chapter 6.

137 Kornai, "Reforming the Welfare State in Postsocialist Societies."

138 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand."

139 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand," 354.

140 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand," 354–55.

141 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand," 354.

In our terms, Frye and Shleifer describe the failed state, the night-watchman (or perhaps the liberal welfare) state, and the developmental state by grabbing, invisible and helping hand, respectively. However, this framework can be refined to encompass six state types, including—beyond the previous ones—the welfare state, the (totalitarian) party state and the predatory state (Figure 2.4). To do this, we need to redefine the three "hands," which can be done by focusing on the feature that **all types of state—**even failed states—share: that they **use legitimate violence to extract, manage and distribute resources within their borders** [→ 2.2.1]. True, they also all regulate for they all have laws and prescribe a legal framework [→ 4.3.4] but different state types do not all use different forms of regulations and therefore this is not the feature they can be differentiated by. Focusing on the aspect of resource extraction and distribution, however, we can distinguish states by **(1) what kind of resources they distribute predominantly**, namely whether they take over monetary property (as in taxation) or non-monetary property (as in predation or expropriation [→ 5.5.3]) most prominently, and **(2) for what end they do so**, which can usually be captured in terms of dominant principles of state functioning. In these terms, **we may narrow the invisible-hand model to the night-watchman state, where the state takes over (1) monetary property (2) to maintain its own functioning**. That is, a night-watchman state still finances itself from taxes, using its monopoly of violence to extract resources,[142] but it uses tax monies only to maintain its basic functions of police, courts and national defense. It neither favors certain actors and social groups, nor takes over non-monetary property in any way: it only controls violence and removes coercion from society. Thus, it indeed leaves most allocative decisions to the free market, that is, to the Smithian "invisible hand" (which in our discussion refers to the result of voluntary interactions of private actors).[143]

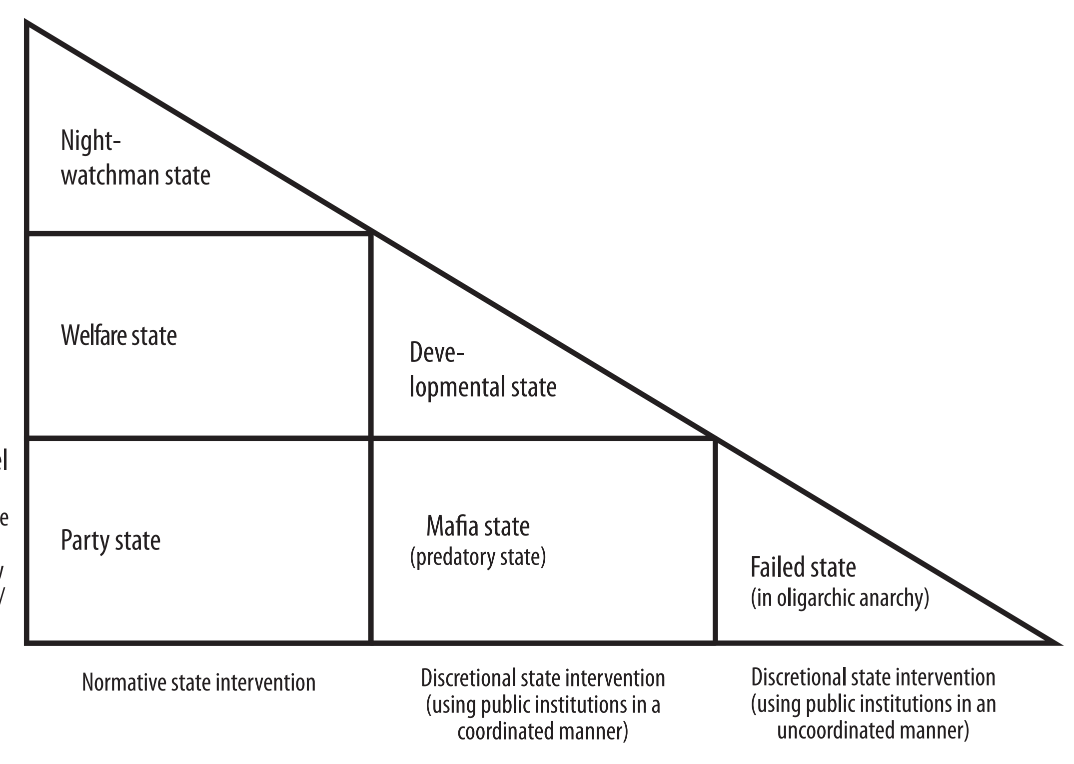
Moving on to **the helping-hand model**, it generally features **taking over (1) predominantly monetary property**, with the takeover of non-monetary property in the forms of eminent domain and nationalization remaining irregular and inessential [→ 5.5.3], and for the purpose of **(2) promoting societal interest or ideology**. In this case, the state does not remain a neutral actor that lets the invisible-hand process of voluntary decisions determine who gets to own what but steps in to help certain social groups or actors. In other words, the state finds that certain groups or actors would not receive enough resources if others had the right not to give them, and it intervenes to force those others to pool the right level of resources that can be redistributed to target groups or actors.

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142 Some proponents of the night-watchman state argue that it should be financed not from taxes but some sort of voluntarily paid fees (most prominently Herbert and Levy, *Taxation and Anarchism*). However, we believe this, if feasible, would make such an institution more similar to a countrywide private police or insurance agency than an actual state, risking conceptual stretching of "state" altogether.

143 Cf. Smith, *The Wealth of Nations*.

Figure 2.4. Types of state by dominant extra-market means and interaction with property owners.



However, the helping-hand model applies to more than one type of state. At this point, we expand Frye and Shleifer's framework, adding **the aspect of dominant extra-market means**. In light of the previous discussion, "market means" refers to voluntary interactions, whereas "extra-market means" refers to coercive interactions of actors. This is not to say that everything that is "market" or private is voluntary, or that everything "state" or public is coercive. A private employer can be coercive in our terms if his employees cannot get a job elsewhere (and therefore the threat of firing them is an existential threat [→ 2.2.1]), whereas states engage in voluntary transactions like trade and selling of state property (privatization). This is why we speak about market or extra-market "means," that can be used by private as well as public actors.[144] Using the aspect of dominant extra-market means, we can distinguish the state types that belong to the helping-hand model by considering what we mentioned at the end of the previous paragraph: whether the targets are (a) predominantly social groups, like the lower or middle classes, or (b) individual actors, like certain entrepreneurs or companies "of national/strategic importance." In the case of (a), the predominant extra-market means is **normative state intervention**, and we can speak about a **welfare state**; in the case of (b), the predominant extra-market means is **discretional state intervention**, and we can speak about a **developmental state** [→ 5.4].

[144] That we still use the word "market" in dichotomy with "extra-market" follows Kornai, who calls lateral relation or horizontal linkage where individuals voluntary agree to transfer something to the buyer "market coordination" [→ 5.6.1].

Whether states that belong to the helping-hand model promote societal interest or ideology depends on whether they are autocratic or not, that is, whether the people's basic rights and liberties are respected or not [→ 2.3]. In any case, **the motive of personal-wealth accumulation does not appear** as a central goal of governmental actors. True, bureaucrats in developmental states, as Frye and Shleifer note, "often have close economic and family ties to entrepreneurs,"[145] but this is not the basis of their support. An ideal typical developmental state supports firms—through resource allocation as well as various regulatory means—on the basis of impersonal criteria, such as competitiveness in foreign markets (export-oriented industrialization, EOI).[146] A developmental state also relies on the formal bureaucracy and not the patrimonial logic of informal patronal regimes, whereas the leader's persona or charisma does not play a large role in the system either.[147] Naturally, state intervention creates rents [→ 5.4.2], and their allocation depends on the relative political strength and relations of business groups. This is true of ideal type liberal democracies [→ 5.3.1] just as much as of ideal type developmental states.[148] But this fact alone indicates that bottom-up rent-seeking, and not top-down allocation of rents based on loyalty to the chief patron, is definitive, whereas industrial (public) policy goals are never completely disregarded in face of making—perhaps totally uncompetitive—family members rich. The head of executive in a developmental state typically does not have economic front men either that would accumulate personal wealth from discretional state support [→ 3.4.3, 5.5.4.3].

Finally, we redefine **the grabbing-hand model** to encompass three state types. In general, the model entails **the takeover of (1) non-monetary (as well as monetary) property to promote (2) ideology or elite interest**. Distinctively, each state in this model engages in political reorganization of the ownership structure [→ 5.5.1], although they differ in their predominant extra-market means to achieve this. First, we can speak about the **party state**, which takes over non-monetary property during the establishment of communist dictatorship. **Nationalization and collectivization** are two processes belonging to this category, when **productive property is taken over impersonally, from everyone who privately owns such property**,[149] and the economic sphere is subjugated to the political sphere in a bureaucratic merger of power and ownership [→ 1.4.1]. Moreover, such **normative state intervention** is initiated on an ideological basis, as Marxism-Leninism entails state control of the means of production in general and of the "commanding heights" of the economy in particular.[150] The **mafia state**—or if we want to reflect only on ownership reorganization, the predatory state—is in sharp contrast to this, utilizing **discretional state intervention** to promote **elite interest**. Post-communist predation is not normative on class base but arbitrarily incidental, as pray is chosen by the adopted political family and predation is initiated by governmental actors in a top-down fashion. Basically, **the mafia state redistributes non-monetary property from outsider/disloyal owners with autonomous ownership to loyal owners with dependent ownership** [→ 5.5.3.4, 5.5.4]. The resultant collusion of

145 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand," 354.

146 Cf. Choi, "Industrial Policy as the Engine of Economic Growth in South Korea: Myth and Reality."

147 Scheiring, *Egy demokrácia halála* [How a democracy dies], 278–79.

148 Kang, *Crony Capitalism*, 12–18.

149 Iordachi and Bauerkämper, *The Collectivization of Agriculture in Communist Eastern Europe*.

150 Kornai, *The Socialist System*, 71, 360–62.

spheres of social action remains informal and the rulers accumulate private wealth (through economic front men), as opposed to a party state's takeovers, where the resultant merger of spheres is formal and no significant private fortunes are amassed from taken-over companies.

As we mentioned above, the mafia state and the developmental state share the trait of wide amplitude of arbitrariness. Indeed, both state types use discretional state intervention as dominant extra-market means, and **tools of public authority are used in a coordinated way** to achieve their goal. In a mafia state, this means that the legislature, tax authorities, prosecutor's office etc. are used together, working toward a single goal in a single process of a single machine. This is possible only when a single actor—the chief patron—can direct the instruments of public authority, and so he has the (informal) power to combine them in a targeted campaign against the prey [→ 5.5.4.1]. At this point we reach the state type we began with, **the failed state**. For it is the feature of coordination that differentiates the grabbing hand of the mafia state and the failed state. In oligarchic anarchy, **predation is initiated by individual predators who do not coordinate their attacks, and accordingly use only an isolated segment of state power**. As Markus writes, predation in weak states is often conducted by individual actors, who abuse their power for their own private gain. These include policemen, local administrators, directors of state-owned enterprises, tax collectors, or "the agents at any of the myriad of departments with the power to halt productive activity (sanitation, fire safety, social security etc.)."[151]

In Chapter 5, we are going to provide a typology of predation, where the actions of such bureaucrat predators will belong to the category of (local and isolated) grey raiding, whereas predation in a mafia state, centrally-led corporate raiding that combines techniques of grey and white raiding [→ 5.5.3.1]. In both cases, we can see the grabbing hand working, and state predators often use the helping-hand rhetoric as well to cover up their actions [→ 6.4.1.4].[152] Yet "grabbing hand" in oligarchic anarchy means a multitude of uncoordinated hands with narrow and opposing interests, while in a mafia state the grabbing hand belongs to the chief patron—or local sub-patrons authorized by him. We mentioned in the previous section that sub-patrons may manage local governments that can operate as sub-sovereign mafia states. Indeed, such local machineries can be used by sub-patrons for predation, and the stratification of single-pyramid patronal networks even allows for competition between members of the adopted family [→ 2.2.2.3]. However, this competition is not uncoordinated as in an oligarchic anarchy. If Markus calls state predators "piranhas," we may say that the piranhas of oligarchic anarchy swim in a large, unified body of water, and it is only the extent of their power and voracity that limits their action. In contrast, sub-patrons of a mafia state are larger predatory fish with more means than individual bureaucrat predators, but they are also confined to clearly delimited fish tanks, with limited prey and range of authorized illegality [→ 5.3.4.2]. This means that **top-level public authority, the chief patron has the power to act both as a predator himself and as a coordinator of predatory actors**. This is the precise opposite of the head of executive in a failed state, where predation results from governmental actors not being able to control the state apparatus. In a failed state, opportunity makes the predator; in a mafia state, the predator makes the opportunity.

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151 Markus, *Property, Predation, and Protection*, 11.

152 Frye and Shleifer, "The Invisible Hand and the Grabbing Hand," 354.

3. Actors



3.1. Guide to the Chapter

This chapter deals with **comparative conceptualization of political, economic, and communal actors**. It will unfold along the lines of Table 3.1, which contains many of the concepts to be introduced, sorted according to the three polar types from the six ideal type regimes of the triangular conceptual space.

The chapter is divided into seven parts. First, as the chapter will define actors of the three spheres of social action, we must define these spheres in a more formal way than we have done previously. Part 3.2 is devoted to this, giving an overarching framework for the book in general and for the discussion of actors in this chapter in particular.

Spanning conceptual spaces by defining the ideal typical actors as well as corresponding entities and activities in the three polar type regimes, we start, in Part 3.3, with formally political phenomena, such as the prime minister and governing and opposition parties (as they are called in liberal democracies). In Part 3.4, we move on to formally economic actors, including entrepreneurs, lobbyists, and economic front men. Furthermore, we offer a typology of so-called oligarchs in patronal regimes and explain how the formation of a single-pyramid patronal network, drawing upon its monopoly of power, destroys the relative autonomy of oligarchs and aims to integrate them into a single chain of command.

Part 3.5 is devoted to communal actors. It is this part where we speak about the citizens of the three polar type regimes, how they uphold human rights and the private sphere; the church, and how it ideal-typically relates to various states; and NGOs, the corresponding groups of which are GONGO (Government-organized NGO) in a patronal autocracy and TRANSBO (transmission belt organization) in a communist dictatorship.

We devote Part 3.6 to our main conceptual contribution in this chapter, the "adopted political family." We provide for it both a positive and a negative conceptualization, that is, we explain what the adopted political family is and is not. Our aim in this section is to clarify why terms like "new feudal order," "neonomenklatura" or "the new ruling class" are misguided attempts at characterizing the ruling elites of post-communist patronal regimes. A description of the anthropological character of the adopted political family is also included in this part. Finally, Part 3.7 includes schematic depictions to illustrate the ideal typical connections between the ruling elite and other elite groups in all the six ideal type regimes.

Table 3.1. Political-economic actors in the three polar type regimes (with the topics of the chapters' parts).

	Liberal democracy	Patronal autocracy	Communist dictatorship
SPHERES OF SOCIAL ACTION	separated spheres of social action	colluding spheres of social action	merged spheres of social action
POLITICAL ACTORS	prime minister / president limited govern (within formal authorization)	chief patron unconstrained dispose over (beyond formal authorization)	general party secretary totalitarian command (within formal authorization)
	cabinet	patron's court	politburo
	politician	poligarch / political front man	high level party cadre
	trustee	patron's hand (*smotryashchiy,* смотрящий)	middle and low level party cadre
	public servant	patronal servant	administrative cadre (*apparat-chik*, аппаратчик)
	state's secret service	patron's secret service	party's secret service
	democratic party politicians' party joining	patron's party vassals' party cooptation / adoption	centralized party cadres' party enrollment
	governing party	transmission-belt party	state party
	opposition party	marginalized / domesticated absorbed / liquidated / fake party	n.a.
ECONOMIC ACTORS	entrepreneur subcontractror	oligarch / minigarch client	state enterprise leader n.a.
	lobbyist business interest representa-tion	corruption broker facilitating corrupt exchange	*tolkach* (толкач, "pusher") plan or barter bargain
	n.a.	economic front man (shell company)	n.a.
COMMUNAL ACTORS	citizen	servant (client)	subject
	independent church	client church	repressed church
	NGO	GONGO (government-orga-nized NGO)	TRANSBO (transmission belt organization)
RULING ELITES	constrained political elite	adopted political family	nomenklatura
	autonomous elites	patronalized elites	incorporated elites

3.2. The Three Spheres of Social Action

As we explained in the *Introduction*, we generally rely on Offe and the way he distinguishes political, market and communal action in a society.[1] We accept his approach because it conforms to our general, Weberian starting point that starts conceptualization from the notion of social action [→ *Introduction*]. Indeed, we start from the three types of action and define spheres to them, whereas **something can be a "sphere" only when it can be characterized by a particular type of action**. Thus, we use the three types of action Offe identified to give the following operational definitions for the three spheres of social action:

- **Sphere of political action** is a segment of a society that is populated by people who either do or aim at (1) setting the course of using political power, (2) using political power, and/or (3) facilitating the use of political power as hired employees. ("Political action" refers to the use of political power.) People in this sphere, which may also be called "political sphere," are **political actors**.

- **Sphere of market action** is a segment of a society that is populated by people who either do or aim at (1) setting the course of production, (2) producing the supply of goods and services, and/or (3) facilitating production as hired employees. ("Market action" refers to production.) People in this sphere, which may also be called "economic sphere," are **economic actors**.

- **Sphere of communal action** is a segment of a society that is populated by people who either do or aim at (1) setting the course of reciprocal exchanges, (2) engaging in reciprocal exchanges, and/or (3) facilitating reciprocal exchanges as hired employees. ("Communal action" refers to reciprocal exchanges.) People in this sphere, which may also be called "communal sphere," are **communal actors**.

In case of political action, the notion of "political power" has been explained in the previous chapter, referring to the capacity to extract, manage and distribute resources relying on the state's legitimate use of violence [→ 2.2.1]. "Production" is a self-explanatory term, referring to the transformation, arrangement and combination of existing resources to create goods and services that can be bought and sold on the market.[2] Finally, "reciprocal exchange" has not been mentioned yet, although we did refer to Karl Polanyi's notion of reciprocity, which he understands as the main form of interaction between members of such societal groups as families.[3] We define reciprocal exchange as follows, based on a more recent study:[4]

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1 Offe, "Political Corruption."

2 Mises, *Human Action*, 140.

3 Cf. Polanyi, "The Economy as Instituted Process."

4 Khatri, Tsang, and Begley, "Cronyism," 62.

- **Reciprocal exchange** is a type of interpersonal action that involves an act by party A to give something of value to party B, either (a) without knowing when B will reciprocate or (b) reciprocating an earlier favor given by B. Typically, reciprocal exchanges involve barter of goods and services, with the distinctive characteristic that, while at the time of the initial act reciprocation is implicit and its terms are unspecified, reciprocation from the other party is expected to take place at some future point.

Although we constructed each definition according to the same pattern of sentences, "setting the course of" a certain type of action is the primary function of actors only in the political and economic spheres. For example, an entrepreneur's primary function is to determine what to be produced in a market economy [→ 3.4.1.1], while the primary function of a liberal democracy's politician is to determine the direction of a constitutional state's action. When citizens vote, they also become political actors temporarily, as they aim at setting the course of political action of their state (indirectly, through representatives [→ 4.2.2, 4.3]). In the communal sphere, however, the course of reciprocal exchange is what Offe refers to as "significant markers of identity and cultural belonging" as well as "shared values and shared notions of virtue,"[5] and those are not set by concrete actors or a central will but rather evolve with culture and civilization.[6] Therefore, it is engaging in reciprocal exchanges on the basis of shared values and identity that constitutes the primary function of actors in the sphere of communal action, and it is only a secondary function that some institutions—such as churches and NGOs—try to shape value structures and support their notions of virtue and belonging.

We speak about a **separation of the spheres of social action** if there are no overlaps between the roles of actors of different spheres. Separation does not imply there is no connection between the spheres, or the actors thereof, nor that an individual does not engage in more than one type of social action. What separation implies is that, **while an individual fulfills different social roles, his actions and motives in one role do not influence his actions and motives in the other role**. For example, a head of executive engages in political action as a politician, but he can also engage in communal action in his family. But if the spheres of social action are separated, that means that his sense of belonging and familiar reciprocity does not guide his political actions. Similarly, an economic actor can be an entrepreneur as well as a personal friend of a politician, but neither one's actions in their primary sphere are influenced by their communal relationship if the spheres of social action are separated.

In the previous paragraph, we spoke in absolute terms like "no influence" to make the meaning of separation clearly. In the real world, separation of spheres of social action is never this clear. Therefore, separation **should not be seen as a binary category but rather as a continuum from total separation**—when one role of an individual in one sphere has no effect on his other roles in other spheres whatsoever**—to the total lack of separation—**

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[5] Offe, "Political Corruption," 78.

[6] Huntington, *The Clash of Civilizations*, 40–48.

when every action in every role of the actor is subordinated to the same motive. In other words, we can say that **separation signifies the level of autonomy** of social actors and roles, whereas the lack of separation signifies the lack of autonomy.

In the post-communist region, what we can typically observe is the **lack of separation of the spheres of social action**:

- **political actors enter the sphere of market action**, that is, they informally engage in economic action to serve their political-economic goals;
- **economic actors enter the sphere of political action**, that is, they informally engage in political action to serve their economic goals;
- **economic and communal actors are subjugated by political actors** and forced to serve the political-economic goals of their subjugators (especially in case of patronal autocracy).

The rest of the chapter analyzes and differentiates actors along these lines. More specifically, we will conceptualize actors in the three polar type regime:

- **in liberal democracies**, characterized by a **separation** of the spheres of social action, that is, separation to the degree that autonomies of the spheres are mutually respected and political actors do not enter the sphere of market action;
- **in patronal autocracies**, characterized by a **collusion** of the spheres of social action, that is, lack of separation to the degree that autonomies of the economic and communal spheres are not respected by the political sphere and political actors enter the sphere of market and communal action;
- **in communist dictatorships**, characterized by a **merger** of the spheres of social action, that is, lack of separation to the degree that autonomies of economic and communal spheres are completely eliminated, all actors being subjugated to and/or annexed by the formal bureaucratic network of the party state.

3.3. Political Actors in the Three Polar Type Regimes

In this part, we span conceptual spaces (define 3–3 corresponding ideal types) for **actors of the sphere of political action** in the three polar type regimes. The actors were chosen (1) on the basis of their importance for the functioning of each regime type and (2) only if ideal typical differences could be noticed between them in the three polar type regimes. In other words, although some of the political sphere's actors we omit (such as policemen) might be important in one or more regimes, we decided not to include them if the actors fulfilling their roles in different regime types were essentially the same, that is, if they could not be distinguished ideal typically.

Naturally, as the spheres of social action are fully separated only in the ideal typical liberal democracy, some of the following actors (the ones belonging to patronal autocracies and communist dictatorships) are also part of the market and communal spheres.

Moreover, **the actors that are presented as corresponding exist with different weight in different regimes**, and as the regimes are not structured in the same way the order of the following parts does not imply the structure of the regimes' political institutions either. That we discuss trustees (and patron's hands) after politicians (and political front men) does not means that these are two "layers" that follow each other in every regime. Simply, we wanted to structure our discussion of actors, and therefore we decided to separate them as they are separated in the mainstream literature. In this way, it will be seen why the words—indeed, formal titles—which are used in the language of liberal democracy to denote these actors are inappropriate for the corresponding actors in patronal regimes where informal institutions have supremacy.

3.3.1. President/Prime Minister—Chief Patron—General Party Secretary

We start with the actor who is **the head of that** (formal and/or informal) **organization which holds the executive power** in a certain polity. **In a liberal democracy**, this actor is either a president—when the system of governance is presidential or semi-presidential—or a prime minister—when the system of governance is parliamentary.[7]

- **Prime minister** or **president** is an actor who is the head of executive power in a liberal democratic regime. The defining characteristic of his power is being **limited**: first, it is limited to the sphere of political action and, second, by the separation of branches of power within that sphere. Accordingly, his main action is to **govern**, that is, exercising authority in ruling a constitutional state, and he does so within formal authorization.

The corresponding actor **in patronal autocracy** is the chief patron:

- **Chief patron** is an actor who is formally the head of executive power and informally the head of a single-pyramid patronal network in a patronal autocracy. The defining characteristic of his power is being **unconstrained**: he has a monopoly in the sphere of political action with connected branches of power, so he has the opportunity to act in all the spheres without any effective check on his power. Accordingly, his main action is to **dispose over**, that is, exercising authority in ruling a mafia state, and he does so beyond formal authorization.

[7] For a classic work on the forms of government, see Lijphart, *Parliamentary Versus Presidential Government*.

In communist dictatorship, we see in this position the general party secretary:

- **General party secretary** is an actor who is the head of executive power as well as the Marxist-Leninist party in a communist dictatorship. The defining characteristic of his power is being **totalitarian**: he leads a system which merges both the spheres of social action and the branches of power, so he necessarily acts in all the spheres without any effective check on his power. Accordingly, his main action is to **command**, that is, exercising authority in ruling a party state, and he does so within formal authorization.

Each definition above represents a cluster of concepts: first, there is a concept for the head of executive power; second, there is a one for his scope of rule; and third, there is a verb to express his action as the head of executive (following the first two concepts). The concepts within each cluster are logically connected to each other therefore neither should be used interchangeably with the corresponding concept of a different cluster.

The definitions express what we have already described with respect to the various ruling elites. However, it may be useful to underline two subtle differences between these actors. On the one hand, **the chief patron is the only one whose scope of power does not follow his formal position**. Indeed, it follows his informal position, or that he patronalized (and patrimonialized) the sphere of political action. This is why, in other words, the chief patron acts beyond formal authorization, whereas the others act within it: although he is formally limited by the separation of powers and confined to the sphere of political action, he steps over the boundaries between the executive and other branches and steps into the economic and communal spheres of action. Consequently, his actions can also be considered **illegal**, as opposed to the general party secretary who also steps into the non-political spheres of action but has authority to do so (for the "vanguard" of the Marxist-Leninist party is the "leading force" of society, as set out in the constitution [→ 4.3.4.2]).

On the other hand, **both the chief patron and the general party secretary have unlimited power, but the chief patron does not necessarily subjugate the entirety of the spheres of social action**—hence, the former's power is only "unconstrained" whereas the latter's one is "totalitarian." This follows from the difference in the nature of their regimes, or their main motives. The motivation of a communist dictatorship is ideology, aiming at re-engineering the entire society. The motivation of a patronal autocracy is elite interest, that is, power and wealth accumulation. The former goal requires (at least according to communist ideologists) the use of state power at all levels of society—that is, totalitarianism. The latter goal does not require the subjugation of every social group, only the ones which threaten the chief patron's power and are important to make fortunes—that is, "simply" unconstrained power will do. In the ideal typical communist dictatorship, the entire society is incorporated, leaving no freedom and autonomy; in the ideal typical patronal autocracy, the spheres that are neither promising nor dangerous are neglected.

3.3.2. Cabinet—Patron's Court—Politburo

3.3.2.1. General definitions

After the head of executive, we move on to **the main decision-making body** of the three polar type regimes. **In a liberal democracy**, this is the cabinet:[8]

- **Cabinet** is a group of actors who make executive decisions in a liberal democracy. It is led by the president/prime minister and includes the high ranking members of the leading political elite (actors with formal positions in the executive branch) who can (1) decide against the will of the president/prime minister and (2) hold formal positions following the winner party's electoral mandate.

The corresponding entity **in a patronal autocracy** is the patron's court:[9]

- **Patron's court** is a group of actors who make executive decisions in a patronal autocracy. It is led by the chief patron and includes the top members of the adopted political family (actors with or without formal positions either in the executive branch or the economic sphere) who (1) cannot decide against the will of the chief patron and (2) not all of them hold formal positions following the winner party's electoral mandate.

In communist dictatorship, we see in this position the politburo:

- **Politburo** is a group of actors who make executive decisions in a communist dictatorship. It is led by the general party secretary and includes the top members of the nomenklatura (actors with formal positions on the top of the hierarchy of the Marxist-Leninist party) who (1) cannot decide against the will of the general party secretary and (2) hold formal positions following intra-party selection mechanisms.

The main difference between a patron's court and the two other decision making bodies is the presence of informal actors. In the ideal typical liberal democracy, no one who does not have a formal position in the executive can be part of governance. There may be presidential advisors or party members who have great influence over decision-making, but this influence also stems from the formal positions these actors legally fulfill around the head of executive. Similarly, in a communist dictatorship, without being a formal member of the politburo no one can exercise real power—indeed, being removed from this political committee is concomitant with the loss of prerogatives of power.[10] In turn, the

[8] Lijphart, *Patterns of Democracy*, 79–104.

[9] Cf. the description of "Putin's Court" in Judah, *Fragile Empire*, 115–34.

[10] In Stalinist times, this meant the Gulag and death, while later, in communism's "humanized" form, it entailed sinecure without any access to power, a pension, and a partial continuation of consumer privileges,

decision-making center of a patronal autocracy is the small court of the chief patron at the top of the adopted political family, and this occasionally changing circle is composed of actors with formal positions of executive power and others with only informal positions. It is rather difficult to keep track of the court's membership because changes are not limited to changes among people in formal positions. The actors of the patron's court—to be described later—are: poligarchs, oligarchs, gatekeepers and the political family's secret service and security guard.

3.3.2.2. Post-communist regional differences: Nazarbayev's "Christmas tree," Putin's tables, and Orbán's family VIP box

Since the patron's court does not constitute a formalized body, it shows a great variety of forms as it appears in different post-communist regimes. At this point, it might be illuminating to look at three examples, each taken from a historical region of the Soviet Empire [→ 1.3.1].

We may start with the example from the easternmost, Islamic region—**Kazakhstan and the court of Nursultan Nazarbayev**. In this region, as we explained in Chapter 1, the typical way for a country after the regime change was continuity, with the top positions of the communist party and the secret service switching directly into informal patronal networks. This is well expressed in the various titles Nazarbayev has held: first, he was the general party secretary (First Secretary) of the Kazakh Soviet Socialist Republic; second, he was elected president of the newly formed Kazakhstan in 1990; and by now, he holds the legal title **"Leader of the Nation,"** which harmonizes with his actual role—the chief patron—and character of leadership—the *pater familias* [→ 3.6.2.2].[11]

An opposition website visualized Nazarbayev's adopted political family as a Christmas tree, reflecting on the shape of the patronal pyramid he is leading.[12] Based on publications in the press, the website guides the reader through the patronal network, and one may note the variety of positions that are mingled: people with kinship ties (like his daughters) are present alongside people with quasi-kinship ties (like the head of state-owned oil and gas company KazTransGas), just as people with formal positions (like the Minister of Justice) are there with people with informal positions (like Nazarbayev's confidante). As for **the patron's court**, the website puts on the top of the Christmas tree Nazarbayev's brother and first and second wives as well as his (formal) trustee, assistant, middle daughter (the richest woman in Kazakhstan) and third daughter (Kazakhstan's largest developer). The extensive business interests of these actors show how a lack of separation of the spheres of social action is present, with people holding a variety of formal and informal positions at the same time.[13]

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like in the case of Nikita Khrushchev. See Taubman, *Khrushchev*, 16–17.

[11] Hale, *Patronal Politics*, 249–53. Nazarbayev resigned from the presidency in 2019 yet retained much of his powers [→ 4.4.3.3].

[12] "Nazarbayev's Christmas Tree."

[13] "The Chart of N. Nazarbayev's Family OCG."

Turning to the Eastern-Orthodox region, the patron's court in **Vladimir Putin's Russia** is "identified as an 'inner circle' of people who take part in practically all of Putin's meetings," according to the classic study of Stephen White and Olga Kryshtanovskaya.[14] They describe this inner circle as the joined network of **three "tables."**

- **Presidential cabinet.** The Monday meetings are effectively meetings of the President with members of the government, that is, a decision-making body reflecting the pattern of the formalized government structure.[15]
- **Security Council.** The circle of participants at the Saturday meetings is more closed, and its composition does not coincide with bureaucratic boundaries. The people participating in the meeting of the body called the Security Council have formal political positions (in the presidential cabinet, government, secret service organizations or the prosecutor's office), are confidants of Putin, and are key figures in executive authority and law enforcement. All that the media reports in this case is that at the meetings "various questions of domestic and foreign policy" were discussed.[16]
- **"Tea-drinking group."** "This [group] consists of Putin's personal friends, who meet informally at his official residence. Nothing is known of the frequency of such meetings, and every precaution is taken to ensure that even the names of those who are admitted into this inner circle are not made public. This 'tea-drinking group' is overwhelmingly composed of leading officials who—like Putin himself—were born in Leningrad and graduated from its university. They include Sergei Ivanov, Igor' Sechin, Dmitriy Medvedev (a former member of the university's teaching staff), federal narcotics board head Viktor Cherkesov, presidential envoy Dmitriy Kozak […], presidential aide Vladimir Kozhin, [and the] presidential envoy in the central federal district[.] These patterns of interaction are underpinned by less formal patterns of informal association, or 'clans.'"[17]

In the case of **the newly emerged Hungarian patronal regime** in the Western-Christian region, it is chief patron **Viktor Orbán's family VIP box** by the football pitch that presents the clearest picture of the country's real power center. Here, the chief patron cheers among the awkward intimacy of his circle, people who are in their civil roles under a rule of law (minister, mayor, chief prosecutor, president of the State Audit Office, bank chairman, businessmen etc.) together with the people of his household.[18] The changes in the set of people who can enter this family VIP box expresses who are adopted or cast out from the decision-making center, as exemplified by Lajos Simicska who had been Orbán's close friend

[14] Kryshtanovskaya and White, "Inside the Putin Court," 1066.

[15] Kryshtanovskaya and White, "Inside the Putin Court," 1067–68.

[16] Kryshtanovskaya and White, "Inside the Putin Court," 1068.

[17] Kryshtanovskaya and White, "Inside the Putin Court," 1068–69.

[18] "Orbán és Polt fergetegesen érezte magát a pénteki meccsen – fotó [Orbán and Polt had fantastic time at Friday's match – photo]"; "Egy nyár a VIP-páholyban [A summer in the VIP Box]"; "A NER elitje Orbánnal nézi a Vidi stadionavatóját a díszpáholyból - fotók [The NER elite watches Videoton stadium opening from VIP box - photos]."

and highest oligarch before he started a "mafia war" with the chief patron [→ 3.4.1.4].[19] Also, more recently the decision-making center can be seen on the **private jet** of one of the regime's main oligarchs, used by Orbán and his court to travel to football matches.[20]

3.3.3. Politician—Poligarch / Political Front Man—High Level Party Cadre

People in political roles in post-communist autocracies are generally considered politicians, whereas they are not—at least not in the Western sense of the word. Indeed, we may define the "politician" of liberal democracy as follows:

- **Politician** is an actor who only has formal political power which he can use autonomously, according to his own will. In other words, he acts freely but solely in the sphere of political action managing public affairs from positions of public authority, obtained (directly or indirectly) through elections.

In the autocratic case, strict rules of conflict of interest to separate public and private interests do not apply. To the contrary, to paraphrase Max Weber, they handle their authority as economic opportunities they appropriated in their private interest. Hence, in a patronal autocracy, we should rather speak about "poligarchs:"[21]

- **Poligarch** is an actor who has formal political power and informal economic power. In other words, he acts in both the sphere of political and the sphere of market action acquiring illegitimate economic wealth by the means of legitimate political power, running a political business venture.

Although their personal wealth is secured from their political position and decisions, the poligarch's illegitimate financial advantages overstep the limits of privileged allowances that could be related to his position and revenues from classical corruption (see Box 3.1). Managing the family business in the form of a political venture, the poligarch also establishes land leases, real estate possessions and a network of companies through so-called economic front men who legally stand for his illegally acquired property and authority (see below). Sometimes poligarchs pile up private fortunes in the guise of pseudo-civil organizations or foundations sourced from public funds where they have informal decision-making competencies over the money.[22]

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[19] Magyar, *Post-Communist Mafia State*, 82–88.

[20] Balogh, "Corruption at the Very Top."

[21] We borrow this apt expression from the novel of Frei, *2015—A káosz éve és a magyar elit háborúja [2015—The year of chaos and the war of the Hungarian elite]*, 18.

[22] An example of this would be the football stadium and academy on the private estate of Orbán's family in his home town of Felcsút, built and maintained from tax benefits and redirected public funds. Magyar, *Post-Communist Mafia State*, 91–92.

Box 3.1. Putin, the chief poligarch of Russia.

"Putin [has got] over twenty official residences, fifty-eight planes, and four yachts. [. . .] Putin does not 'own' any of these, except [. . .] perhaps his first yacht [. . .], which was presented to him as a gift by a group of oligarchs headed by Roman Abramovich [. . .]. Those who say politicians can't be called corrupt unless the police find $20.000 in small bills in their freezer [. . .], should contemplate how much has been spent from public funds on the construction, maintenance, furnishing, and round-the-clock staffing of these twenty residences, most of which did not exist [. . .] prior to Putin's rule. [. . .]

Putin increased his influence over Gazprom's [the largest company in Russia] board of directors immediately upon being elected by [replacing the former chairman of the board] by Dmitriy Medvedev, who had been Putin's legal advisor, headed his electoral campaign, and had become first deputy head of the Presidential Administration. [. . .] Putin personally attended the Gazprom meeting on May 30, 2001, and [. . .] informed the startled board that he was instructing the five government-nominated directors to replace [the CEO] with Aleksey Miller, [. . .] Putin's St. Petersburg coworker [. . .]. Within Putin's first years, more members of his clan would be placed on the Gazprom board [. . .]. By all accounts, from the beginning Putin [. . .] took a personal interest in the company's performance, its policies (particularly in terms of gas supply to Russia's neighbors), and the distribution of its profits. [. . .] Installing Medvedev as chairman of the board gave Putin direct access to the board's decisions and deliberations."

– Karen Dawisha, *Putin's Kleptocracy: Who Owns Russia?* (New York: Simon & Schuster, 2014), 10, 281–82.

On the other hand, in patronal autocracies, there are people who have formal political power, but they cannot use the authority vested in them on the basis of their public office autonomously. Indeed, these people's actual scope of action contradicts their formal authorizations, for they are dependent on a patron whose orders they must follow. With the formation of unbridled power in the political sphere and over the appointments of personnel, the formally democratic institutional system becomes the domain of such "political front men:"

- **Political front man** is an actor who has formal political power but cannot use it according to his own will. In other words, he acts in the sphere of political action but he is a client in a patronal network, subordinated to the will of a patron (ultimately the chief patron) who disposes over the front man's formal authorization.

The (chief) patron disposes over the political front man in two ways: (1) he disposes **over the front man's status** (appointment); and (2) he disposes **over the action the front man is formally authorized for**. Indeed, the formal position or legal standing of the front man serves only to bridge the gap between the legitimate and illegitimate spheres, that is, between the formal institutional system and the informal patronal network.

In turn, such mismatch between *de jure* and *de facto* power or rulership structure does not appear **in a communist dictatorship**, where the actor with political power is the high level party cadre:

- **High level party cadre** is an actor who has formal political power in the nomenklatura of a communist dictatorship. In other words, following the nature of his system, the high level party cadre acts in every sphere of social action making decisions about the goals and plans of the Marxist-Leninist party.

"Party cadre" (or simply cadre) is the general term for position-holding members of the party state. However, it is only the high level party cadre who has actual political power, whereas the functions of lower level cadres are different. We describe these cadres in the next two parts.

3.3.4. Trustee—Patron's Hand (*Smotryashciy*)—Middle/Low Level Party Cadre

While the political front man is an actor who formally has competences to make decisions but indeed executes the will of his patron, there are **actors** in all three polar type regimes **who represent, as agents, the interest of their principals** without a misleading formal title. Such actor **in a liberal democracy** is called trustee:

- **Trustee** is an actor who is entrusted to act on behalf of his principals representing their formal interests. Such an actor may appear in the political sphere (political trustee) as well as the economic sphere (economic trustee), but they are always situated in the same sphere as their principals formally are. The trustee's activity is formalized, and can be either occasional or permanent.

In a patronal autocracy, the actor acting on behalf of the members of the adopted political family is called a patron's hand or, by the Russian term, *smotryashchiy* (literally "watcher"):

- **Patron's hand** is an actor who is entrusted to act on behalf of his principals representing their informal interests. Because they are typically employed by the adopted political family, patron's hands are not necessarily situated in the same sphere as their principals formally are. The activity of a patron's hand is non-transparent, it is either formalized or informal, and it can be either occasional or permanent.

Patron's hands can be categorized in two ways. By their position, we can differentiate three subtypes: the ones who are entrusted informally, and do not have a formal position at all; the ones who are entrusted informally, and have some kind of formal position (which is not that of a trustee); and third, there are the ones who are employed as trustees but, in fact, represent informal interests. "In Putin's *sistema*," for example, "state institutions are controlled through his 'core contacts', 'curators' and highly personalized monitoring and reporting practices within Putin's networks. Such control practices penetrate also non-state companies, which are likely to be informally supervised by 'parachuters' — people appointed over the heads of their formal bosses and personally connected to the political leadership."[23] On the other hand, **by their function**, patron's hands can either connect different levels within a certain vertical or connect different verticals. One example for the latter, virtually matching the ideal typical definition, can be seen in Orbán's Hungary, where patron's hands with various formal positions informally connect party (and state) communications with nominally private media, the "held" editors and journalists of which receive orders about what to publish through the representatives of the adopted political

[23] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 63.

family (see Box 3.2).[24] According to investigative journalists, the same role in the Russian patronal autocracy is fulfilled by Alexey Gromov, a member of Putin's adopted political family who personally oversees and controls the content of Russian patronal media.[25]

The primary reason which makes patron's hands necessary is the size of the adopted political family and its domain: although ultimately everyone is subject to the will of the chief patron, he cannot be everywhere, so he must use patron's hands to represent his interests in particular areas and levels of society.

In a communist dictatorship, **the party ensures its interests are always served** at each of the leading positions in the society **by doubling the nomenklatura's hierarchy** and adding middle/low level party cadres to the corresponding levels of society:

● **Middle/low level party cadre** is an actor who is formally entrusted to act on behalf of the Marxist-Leninist party. Such an actor may appear within any spheres of the social action that are bureaucratized by the party state. Because they are situated in a regime which is characterized by a merger of spheres of social action, middle/low level party cadres are always situated in the same sphere as their principals (higher level cadres) formally are. The middle/low level party cadre's activity is legitimate and permanent.

Adam Podgórecki describes the use of middle/low level party cadres on every level of the society as "totalitarian bureaucratization," where the party state develops "a complicated web […] which surround individuals and compel them to act according to the expectations of the system. […] In Soviet schools, organizations were set up to control the sociopolitical behaviour of parents; in all communist countries, party cells were created in all workplaces and residential areas, and they closely and comprehensively surveilled the behaviour of all employees and residents."[26] Also, the existence of middle/low level party cadres makes it possible (1) to keep the independent movement of the party elites within bounds and (2) to switch the bureaucratic functionality of the party elites temporarily into a campaign mode, when such mobilization is initiated through various campaigns directed from above [→ 4.3.3.1].

Box 3.2. Patron's hands in Fidesz's media in Hungary.

"[…] the *de facto* party media was led by Gábor Liszkay, the CEO of [oligarch Lajos] Simicska's Nemzet-group. The news of Magyar Nemzet [a daily], Hír TV [a nationwide television station], the free Metropol [a daily distributed on the streets of Budapest], Lánchíd Radio and Class FM were produced in the [office] of the daily newspaper, with close everyday contact between the party and the media group. Péter Tarr, the Deputy CEO of Hír TV indeed said [in an interview] that 'they were visited every week by the contact persons of the government, telling them who to invite to the TV and what to ask from them.' [More recently, Antal] Rogán and his ministry of 200 members control the official communication of the government [and] they define the political content of the […] media empire—moreover, they are involved in the preparation of the most important articles and other material. As a minister, Rogán gives weekly briefings about the actual line of communication, media keywords and panels, to the talking heads of the party […], to the editors of the party-leaning media, and to the [television] analysts of Fidesz. The editors of the public media […] are in contact with Rogán's staff, too."

– Pál Dániel Rényi, "Ez nem újságírás, ez politikai nehézfegyverzet [This Is Not Journalism, This is political heavy weaponry]," *Tldr 444* (blog), May 18, 2017, https://tldr.444.hu/2017/05/18/fideszmedia.

[24] Rényi, "Ez nem újságírás, ez politikai nehézfegyverzet" [This is not journalism, this is political heavy weaponry].

[25] Rubin, Zholobova, and Badanin, "Master of Puppets."

[26] Podgórecki, "Totalitarian Law: Basic Concepts and Issues," 14–17.

3.3.5. Civil Servant—Patronal Servant—Administrative Cadre (*Apparatchik*)

The next three actors are **preoccupied with administrative tasks related to the ruling elite** in polar type regimes.

In a liberal democracy, the administrative actors are called civil servants:

- **Civil servant** is an actor who belongs to the bureaucratic administration of a liberal democracy. Accordingly, he is appointed on the basis of normative (professional) criteria to serve in a clearly defined sphere of competence subject to impersonal rules. He is expected to act in accordance with the law, and he is loyal to the organization and its ethos over his direct (and indirect) bosses.

In a patronal autocracy, the corresponding actor may be called patronal servant:

- **Patronal servant** is an actor who belongs to the bureaucratic administration of a patronal autocracy. Accordingly, he is appointed on the basis of discretional (political and personal) criteria to serve in a sphere of competence that is subject to informally changing political demand. He is expected to act in accordance with the will of the adopted political family, and he is loyal to his direct (and indirect/informal) bosses over the organization and its ethos.

Finally, if we turn to **communist dictatorships**, the enormous bureaucracy of the party state requires a high number of administrative cadres (or "apparatchiks"):

- **Administrative cadre** is an actor who belongs to the bureaucratic administration of a communist dictatorship. Accordingly, he is appointed on the basis of discretional normative (professional) criteria to serve in a sphere of competence that is subject to formally changing political demand. He is expected to act in accordance with the will of the Marxist-Leninist party, and he is loyal to the organization and its ethos over his direct (and indirect) bosses.

To fully understand the role of bureaucrats in all three polar type regimes, it is worthwhile to return to the writings of **Weber**, in which he **explains the sociological functions and ideal typical characteristics of these roles**. As he writes: "The master rules with or without an administrative staff. […] The typical administrative staff is recruited from one or more of the following sources: (I) From persons who are already related to the chief by traditional ties of loyalty. This will be called patrimonial recruitment. Such persons may be a) kinsmen, b) slaves, c) dependents who are officers of the household, especially ministerial, d) clients, [etc.], and (II) Recruitment may be extra-patrimonial, including a) persons in a relation of purely personal loyalty such as all sorts of "favorites," b) persons standing in a relation of fealty to their lord (vassals), and, finally c) free men who voluntarily enter into a relation of personal loyalty as officials."[27] When the administrative tasks are dominated by

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[27] Weber, *Economy and Society*, 228.

vassals, that is already the feudal form of the patrimonial rule, where the "administrative staff appropriates particular powers and the corresponding economic assets," either by an organization or by individuals.[28]

Weber summarizes the **characteristics of professional bureaucratic administration** performed—usually in modern societies—by free officials as follows:[29]

- a continuous rule-bound conduct of official business;
- a specified sphere of competence (jurisdiction);
- the organization of offices follows the principle of hierarchy;
- the rules which regulate the conduct of an office may be technical rules or norms. In both cases, if their application is to be fully rational, specialized training is necessary;
- it is a matter of principle that the members of the administrative staff should be completely separated from ownership of the means of production or administration;
- there is also a complete absence of appropriation of his official position by the incumbent;
- the principle of administration on the basis of documents is adhered to. The combination of written documents and a continuous operation by officials constitutes the "office;"
- the administrative group that operates along the lines of the principles above is called the army of officials, bureaucracy.

In turn, **within the administrative system of the mafia state the patterns of traditional autocratic rule increasingly emerge**. The patriarchal head of the adopted political family exercises control in circumstances that do not adhere to the law. Rather, he gives commands himself, or through his confidants, thereby diluting and adjusting the traits of the bureaucratic administration typical in the modern state to his own demands. While the public servant's motive is to adhere to legal procedures, the patronal servant proves his loyalty to the (chief) patron of the patronal network.

Accordingly, **the professional bureaucratic administration in a patronal autocracy can be characterized**, contrasting it to the Weberian description,[30] **as follows**:

- the normative system of "*a regular system of appointment on the basis of free contract, and orderly promotion*" is disassembled;
- the "*clearly defined sphere of competence subject to impersonal rules*" are loosened. The political appointees handle a great variety of roles in the adopted political family, within the legitimate sphere of administration: front man, governor, com-

[28] Weber, *Economy and Society,* 232.

[29] Weber, *Economy and Society,* 218–19.

[30] Weber, *Economy and Society,* 229.

missar, steward, treasurer etc., expressions that describe the real functions of their roles more accurately in sociological terms, than would the official definitions of the administrative positions;

- the *"rationally established hierarchy"* is disrupted. The affiliates of the adopted political family traverse the lower and higher regions of public administration freely; the centralization of decisions pertaining to promotions by subjective mechanisms increases as the normative system of promotion is replaced by discretional decision-making mechanisms driven by political interests. If the elastic laws are still too tight for the implementation of the preferences of the adopted political family with regard to personnel, the "normative" environment is shaped to fit demands through regulations tailored to fit;
- *"technical training as a regular requirement"* is relativized. When necessary, peculiar exemptions pave the way for the positions that previously had strict prerequisites in terms of professional training;
- allowances and property entitlements are added on to *"fixed salaries"* as one rises through the hierarchy, reaching domains well beyond legal sources of income.

In short, the Weberian traits of the professional bureaucratic administration either regress—typically in the westernmost historical region, where the traits could even be found in the first place—or never take form—typically in the two other regions, where the regime change meant the replacement of party loyalty and formal hierarchy with personal loyalty and informal hierarchy. Yet in such cases, the influence of the bureaucracy in the adopted political family is not negligible. Indeed, **in case of nomenklatura-based clans** [→ 3.6.2.1], **the patronal bureaucracy contains positions for much of the former nomenklatura**, and therefore patronal bureaucracy is itself a powerful branch of the ruling elite. As Nikolay Petrov explains, in Putin's nomenklatura-based clan—which still, as we explained, should be seen as an adopted political family under the patriarchal domination of the chief patron—"[the] competition between two powerful verticals—namely the Communist one and the Chekist one—which provided greater internal rigidity for the [original nomenklatura] is […] absent. With a certain degree of simplification, one may consider that under Yeltsin a weakened administrative vertical had taken over the party vertical function, while the Chekist vertical was reduced, though it retained its subordination to Moscow. Under Putin, the administrative and Chekist verticals were strengthened significantly and effectively merged, with the Chekist element playing a dominant role for the first time."[31]

This leads us to the case of communist dictatorships and **the bureaucracy of apparatchiks**. In communist regimes, the apparatchiks **share the normativity of Weberian bureaucrats and the subjection to political demand of patronal servant**. Yet even beyond the usual difference between formality (communist dictatorship) and informality (patronal autocracy), we should note a more subtle dissimilarity, emerging when the bureaucracy—even if it involves the former nomenklatura—gets patronalized by a top patron. Namely, an apparatchik follows the line which the party dictates, and he is loyal to the party as an

[31] Petrov, "Putin's Neo-Nomenklatura System and Its Evolution," 182.

organization; as Hungarian historian Miklós Szabó wryly noted, "the good communist firmly fluctuates with the party."[32] In turn, the patronal servant proves his goodness, and loyalty to the (chief) patron, by stepping over the formal (legal) rules on the patron's order. From this it follows, first, that in a patronal autocracy, organizational loyalty is replaced by personal loyalty. Second, **making the patronal servant commit illegal acts, which are persecuted only if the chief patron wants them to, creates the informal subordination the patron-client network of the mafia state depends on.** For the patron can use the fact of illegality as a base for blackmail to coerce the patronal servant. Indeed, while in a liberal democracy a bureaucrat is fired if he commits a crime, in a patronal autocracy he is fired if he fails to commit a crime, and thus fails to be compromisable in case of disloyalty.

3.3.6. State's Secret Service—Patron's Secret Service—Party's Secret Service

The various **intelligence agencies** fulfill different roles in the three ideal type regimes, depending on whom the agencies answer to.[33] **In a liberal democracy**, we can speak about the state's secret service:

- **State's secret service** is an intelligence agency that answers to the institution of the state. It is under the control of the executive, and the confidential nature of its workings reaches over the electoral cycles of the regime for those outside the secret service and/or the cabinet.

In a patronal autocracy, the secret service is subordinated to the chief patron:

- **Patron's secret service** is an intelligence agency that answers to the person of the chief patron. It is under the control of the executive, and the confidential nature of its workings can be violated according to the political needs of the patron's court.

In a communist dictatorship, the secret services and the state enforcement organizations are under the control of the small, topmost body of the party:

- **Party's secret service** is an intelligence agency that answers to the institution of the state party. It is under the control of the (non-separated) executive, and the confidential nature of its workings applies to everyone outside the secret service and/or the politburo.

The confidential nature of the workings of intelligence agencies, and how it ideal typically differs in the three regimes, is demonstrated by the process of classification. In the

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[32] Szabó, *A jó kommunista szilárdan együtt ingadozik a párttal*.

[33] We now speak only about secret services that are subordinated to the ruling elite; ones that are more autonomous and form a kind of "deep state" are going to be discussed in Chapter 7 [→ 7.4.2].

fundamentally formal systems of liberal democracy and communist dictatorship, information may be deemed a "national security secret" on the basis of the normative criteria of the state and classified for decades accordingly, meaning it cannot be shared with anyone without strict formal authorization. In the fundamentally informal system of patronal autocracy, however, information may be deemed "national security secret" on the basis of the discretional criteria of the chief patron and classified for decades accordingly,[34] whereas classified information can be used, upon the discretional decision of the chief patron, either for intra-party blackmailing (*kompromat*) or for public character assassination and criminalization campaigns [→ 4.3.5.2].

The nature of loyalty of the intelligence agencies also differs in the three polar type regimes. In the communist system, loyalty to the general party secretary was indivisible from the formal position, and in case of a downfall the loyalty of the secret services transferred to the new leader. In patronal autocracies, the personal attachment and dependence on the chief patron and his "family" becomes stronger. Though it would be hard to test how loyalty survived in the wake of the death of autocrats and the transitions ushered in by color revolutions, **Hungary's example** is illustrative in a number of respects. After the electoral defeat of Fidesz following its term in government between 1998 and 2002, the chief patron withdrew some of the secret service cadres from the formal institutions and established an alternative, private secret service and security capacity, and then placed these at the head of the reformed secret service and security organs after Fidesz's 2010 election victory. The newly established **Counter Terrorism Center (TEK)**, which was invested with secret service, counterintelligence, police and investigative functions as well, is directed by Viktor Orbán's former personal bodyguard.[35] On a larger scale, the situation is the same in the case of the **National Guard of the Russian Federation**, founded in 2016 and with Putin's personal bodyguard also becoming its leader.[36]

This leads to the third and final aspect, **the selection of the head of the secret service**. In communist regimes, the head of the party's security were important political actors themselves—some of them, like Heidar Aliyev in Azerbaijan, even rose to the top after the regime change where the (leaders of the) nomenklatura preserved its power.[37] In general, the cadre policy of the secret service and enforcement organizations in communist dictatorships (as well as liberal democracies) follows a formalized order of advancement established by the former communist nomenklatura that regulates and somewhat limits the number of candidates who can be considered for the given position. In contrast, in a patronal autocracy, the chief criterion for filling a position of real power—independent of advancement and position on the formal table of rank—is a close personal connection and a relationship of trust with the chief patron.

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34 For an example, see Oroszi, "Hungarian Government Classified Whether Russia Gets Compensation If Paks II Nuclear Plant Expansion Is Called Off."

35 Magyar, *Post-Communist Mafia State*, 103–5.

36 Savage, "The Russian National Guard."

37 Hale, *Patronal Politics*, 149–51.

3.3.7. Democratic Party (Politicians' Party)—Patron's Party (Vassals' Party)—Centralized Party (Cadres' Party)

Political parties are considered **the main collective political actors in electoral regimes**, liberal democracies or otherwise.[38] In this section, we outline a typology of parties on the basis of their membership. More precisely, we focus on what powers (1) the rulers of the party have vis-à-vis (2) the rest of the party's members, and we define parties in the three polar type regimes from both of these angles.

In a liberal democracy, a party is, from the side of the rulers, a democratic party, whereas from the side of the members it is a politicians' party:

- **Democratic party** is an organized group of actors led by a democratically elected party leadership. The leadership is both the *de facto* and *de jure* top decision-making body of the party and its competences are strictly delimited by the party's formal rules (constitution or charter). The party's membership is composed of politicians—autonomous actors—who entered the party through **joining**, that is, entering voluntarily and being accepted on the basis of predefined (formal and normative) criteria. Therefore such a party may also be called **politicians' party**.

Post-communist regimes also have numerous political parties, yet the definition of "democratic party" can be best applied to parties in the EU member countries in Central Eastern Europe. But even in their case, questions immediately arise, including whether these **parties operate in close concert with dominant patronal networks** (which developed in the course of the disposal of state property and occasional reallocation) or independently of them. In the second (East European, Christian Orthodox) and third (Central Asian, Muslim) historical regions of post-communist regimes, it becomes obvious that the definition of parties developed for liberal democracies can only be applied in a very limited sense. In their case, we could rather speak of **patron's parties, which ensure the patronal networks a formal framework to grant them legitimacy in a (restricted) competition**. And while "parton's party" captures the phenomenon from the side of the rulers, from the side of the members it can be best recognized as a "vassals' party:"[39]

- **Patron's party** is an organized group of actors led by a chief patron, who is either head of the formal party leadership or not. The chief patron is the *de facto* but not necessarily *de jure* top decision-maker of the party and his competences are unlimited, regardless of the party's formal rules (constitution or charter). The party's membership is made up of vassals—informally dependent clients—who entered the party through **co-optation**, that is, entering voluntarily and being accepted on the basis of non-predefined (informal and discretional) criteria. Therefore, such a party may also be called **vassals' party**.

[38] For a classic work on parties, see Sartori, *Parties and Party Systems*.

[39] It could also be called "front men's party," which followed previous conceptualization more neatly. However, we call it "vassals' party" because we believe the concept's meaning is more straightforward this way.

In contrast to the democratic parties of liberal democracies, patron's parties are naturally characterized by not serving as political institutions with an interest in channeling and formulating the grassroots desires of the electorate. Instead, they act as **one of the necessary formal institutions—**necessary even in autocracies**—for the top-down extension of the informal patronal network**. It is through the patron's party that the adopted political family can act in the sphere of political action, and can acquire formal positions of political power. The party, therefore, is a "creative façade" in a regime where the formally democratic institutions are maintained [→ 6.5], and **every position the formal members of the party acquire means the extension of the chief patron's control through his vassals**. Indeed, it is not the party membership that chooses party leaders with the aim of seizing political power based on ideologies, programs or personal interests, but the top patron who integrate clients into the patron-client network he disposes over. The dominant parties operate as a sort of "HR-organization," through which not those who believe in similar ideals but who swear loyalty to the same chief patron are integrated [→ 3.6.2.3]. It is not the members who get the people aspiring to lead them to compete, but the leaders who have potential clients competing for their favor [→ 4.3.4.4].

In case of a patron's party, individual co-optation often takes the form of **adoption**. While "co-optation" is a more general category [→ 6.3], and it involves other ways of tying people to the patron's party as well, adoption implies the informal bondage to the adopted political family, as well as that non-kinship relations are transformed into quasi-kinship relations. In case of adoption, the relationship goes beyond mere patronalism and starts carrying the anthropological character of the adopted political family [→ 3.6.2].

A good example for a patron's party is the Party of Regions in Ukraine, which has been a patronal democracy with numerous competing patronal networks existing in dynamic equilibrium [→ 4.4.2]. As Mikhail Minakov writes, "[the] Donetsk regional group is a common name for many clan-like patronal organizations, both big and small, that […] emerged in Donetsk in the mid-1990s and coalesced around the figure of Viktor Yanukovych from 1997 onward. […] In 2001, they (together with some minor clans from Crimea, Vinnytsia and other regions) established the Party of Regions. This party was successful at liaising between established clans and groups of local elites from southeastern Ukraine. Even though Viktor Yanukovych was rarely the formal head of the party, he was its informal leader up until his escape to Russia in February 2014."[40] Minakov further identifies clans, oligarchs and poligarchs behind practically every formal political actor in Ukraine, leading him to describe the country in general as "a republic of clans."[41] Indeed, in other patronal democracies like Romania and Bulgaria, ruling parties that are nominally left or right-wing are also patron's parties, granting a legitimizing camouflage for competing patronal networks.

Democratic parties can transform into patron's parties. Indeed, even for a party leader with no patronal intentions there is a rational basis for such transformation in a patronal democracy, where democratic parties, confined to the sphere of political action, are in competitive disadvantage vis-à-vis patron's parties. For the latter (1) dispose over political as well as substantial economic resources, companies etc. and (2) they are vassals'

40 Minakov, "Republic of Clans," 236.

41 Minakov, "Republic of Clans."

parties, meaning they are more disciplined and can be operated more efficiently, subordinated to a single goal in a quasi-military fashion. Furthermore, in the post-communist region there is generally less room for Western-type democratic parties because of lack of sufficient social differentiation that would be guided by the criteria of market economy and free labor markets.[42] If the transformation from democratic to patron's party occurs, we can speak about **the emergence of a party-based clan** [→ 3.6.2.1].[43]

The obvious reason why leading parties of patronal autocracies do not endorse the democratic internal organization of democratic parties is that it would be incompatible with the autocratic nature of these regimes. True, this feature also appears in communist dictatorships, where the topmost organ of the pyramid-like, hierarchically constructed party, the politburo, had a monopoly on power. But in communist regimes, the chief overseeing body of the party does not wholly lose its importance even in parallel with the authority of the first secretary. For example, anyone who counted as a current confidant, or favorite, of Stalin was at the same time a member of the formal decision-making body, the politburo. This is why one of the favorite subjects of the Kremlinology literature was the analysis of the composition and changes of this body, focusing on informal coalitions therein.[44]

On the other hand, **in vassals' parties, the party chair at their helm—usually chief patron of the dominant patronal network—is no longer subject to decisions of any formal body**. Appointments to positions of power within the party, as well as outside of the party, depend on the ruler's personal, discretionary decision. The party hierarchy is no longer the broadest frame of power like that which structured the communist nomenklatura. Instead, it is just a part of the patronal network. In the case of the "leading force" of patronal autocracies, the actual decisions are taken away from the—nevertheless strictly controlled—bodies of the party, and are transferred by the chief patron to his court, existing without formal structure and legitimacy.

Finally, **in a communist dictatorship**, a party is, from the side of the rulers, a centralized party, whereas from the side of the members it is a cadres' party:[45]

- **Centralized party** is an organized group of actors led by a dictatorial party leadership. The leadership is both the *de jure* and *de facto* supreme decision-making body of the party and its competences are unlimited, according to the party's formal rules (constitution or charter). The party's membership is composed of high-, mid- and low-level party cadres—bureaucratically dependent clients—who entered through **enrollment**, that is, being permitted or ordered into membership by the party state. Therefore, such a party may also be called **cadres' party**.

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[42] Weßels, "Corporate Actors: Parties and Associations."

[43] The core of a party that eventually transforms it into a patron's party can also be a different type of clan. In the case of Fidesz, for instance, it was a fraternity-based one. Magyar, *Post-Communist Mafia State*, 40–45.

[44] D'Agostino, *Soviet Succession Struggles*.

[45] Not to be confused with Duverger's "cadre party." Cf. Duverger, *Political Parties*.

The expression "centralized party" stems from the Leninist notion of "democratic centralism," as accepted and practiced in the Communist Party of the Soviet Union and its counterparts in other communist countries.[46] Particularly, it reflects on the dictatorial nature of the party leadership: (1) that the members of the political committee are formally elected by the wider membership (the party congress) but there is no competition for the seats; and (2) that the members of the party (cadres) are not allowed to form factions or act in any way against the current leadership. This situation is the symmetrical opposite of a democratic party, where the members (politicians) have autonomy, can form factions and can remove the party leadership if this is what they, collectively, find beneficial. In a centralized party, dissatisfaction can only lead into intra-party rivalry, which is to be distinguished from the intra-party competition of democratic parties. For competition implies, beyond rivalrous people, free and open challenge as well. Indeed, the two regimes maintain a consistent attitude toward competition: **in a liberal democracy, competition exists between parties as well as within them, whereas in a communist dictatorship competition exists neither between parties nor within them**.

3.3.8. Governing Party—Transmission-Belt Party—State Party

In the previuos part, we spoke about parties as such in ideal type regimes. Now, following the previous points, we may focus specifically on the ***de jure* ruling parties** in the three polar type regimes. While the status of ruling party is probably what best illustrates the crucial importance of distinguishing *de jure* and *de facto* in patronal autocracy, it is also this entity that is subject to misunderstanding and false comparisons between patronal ruling parties and those in communist and liberal democratic regimes. To clarify the matter, we will examine ruling parties in liberal democracy and communist dictatorship first, and then move on to patronal autocracy's ruling party to highlight the differences.

In a liberal democracy, the ruling party can be identified as a governing party:

- **Governing party** is a politicians' party which is the *de jure* ruling party in a liberal democracy. Its formal decision-making bodies have *de facto* power over the actions of the party. Therefore it indeed governs the polity in which it was elected.

Speaking about "governing party" in singular is already a simplification, as even the party that wins the parliamentary elections might need to form **multiparty coalitions** to be able to govern (i.e., to achieve majority to pass laws).[47] This is usually not the case in patronal autocracies: the most striking example is probably Moldova under chief patron Plahotniuc, whose party in the 2014 elections won only 19 seats out of 101, so he turned to MPs from other parties and started to "buy them up," that is, to bribe them into supporting his party, to secure eventually a majority [→ 7.3.4.4].[48] More generally, we can observe that,

[46] For a comprehensive analysis, see Waller, *Democratic Centralism*.

[47] Lijphart, *Patterns of Democracy*, 80–85.

[48] On Plahotniuc's climb to power, see Mizsei, "The New East European Patronal States and the Rule-of-Law," 566–76.

in patronal autocracies, either a single party achieves (constitutional) majority alone or a large parton's party has one or more coalition partners in a subordinate role, like KDNP as Fidesz's coalition partner in Hungary. This reflects the fact that **the leading political elite** in patronal autocracy is unconstrained, while in a liberal democracy it **is constrained**. **"Governing" means limited rule, or the exclusive rule of no one—neither of the party over the country nor of a party leader over the governing party.** One's will may become law only if a series of other actors agree so, from the party leadership to the members of parliament. These politicians are all part of the decision-making process of the governing party, acting at different levels of a formally defined hierarchy. In short, **a governing party's actions are determined by those in the party's *de jure* decision-making hierarchy**. Those formally having competences are not political front men but can act by the powers vested in them, and they can do so autonomously insofar as there is no coercion from any person or party organ, meaning (1) politicians are free to turn against higher orders (although they may choose not to, either because they agree with them or because of voluntarily chosen "party discipline"), and (2) there is free exit from the relationship, meaning the opportunity to leave the party and resign from assigned positions [→ 2.2.2.2].

While a governing party is only one entity in the regime, and it is surrounded by various autonomous institutions and actors [→ 4.4.1], **in a communist dictatorship** the Marxist-Leninist party dominates and, indeed, is virtually identical with the state and its bureaucracy. As Kornai explains, while in a number of socialist countries "the constitution asserts that the leading force in the country is the Communist party," "the way this leading force applies in practice is not specified."[49] However, he finds that the party's jurisdiction in practice typically covers: (1) all major appointments, promotions, and dismissals, covering offices in the state administration and all major managerial positions in the economy; (2) reaching decisions on every major affair of the state before the state organization responsible has come to its own decision (the major decisions of the government are preceded by resolutions of the party's central leadership, those of county councils by resolutions of county party committees, and so on); and (3) direct connections between the party apparatus and the state apparatus, which results in—as we mentioned above with respect to middle/low level party cadres—"a curious kind of duplication in which a specific party functionary or group of functionaries within the party apparatus has responsibility for every important sphere of state activity."[50] Hence, in such regime we can speak about a state party:

- **State party** is a cadres' party which is the *de jure* ruling party in a communist dictatorship. Its formal decision-making bodies have *de facto* power over the actions of the party, which rules over the entirety of the state as well as the polity. Therefore it indeed is indistinguishable from the state.

Besides a communist dictatorship, **a market-exploiting dictatorship also features a state party** as the single, *de jure* and *de facto* holder of power. Yet **its central control is less severe in normal times** than that of communist state parties. Analyzing the characteristics of Chinese politics, Heilman finds that the local party state maintains Leninist democratic

[49] Kornai, *The Socialist System*, 37.

[50] Kornai, *The Socialist System*, 38.

centralism by prohibiting the formation of internal factions[51] but it usually functions in a non-totalitarian "normal mode." "Party leaders set general guidelines and objectives for national policies," "government departments negotiate with one another about the drafting of national regulations," and "local governments flexibly apply national laws and directives in accordance with local conditions."[52] It is only in times of domestic security crises, intra-party decision-making and organizational crises, foreign policy and military tensions, or some other kind of acute crises that are perceived as threats to stability[53] that the reformed party state enters "crisis mode." This is characterized by "abrupt centralization of the decision-making processes and central interventions across the party hierarchy," "personalization and increased emphasis on ideology in decision-making," "recourse to militant mobilization rhetoric" and "political upgrading of the disciplinary and security organs."[54] Such a crisis mode can be compared to rights-suspending campaigns in communist dictatorships, when the state apparatus enters into a movement mode and nomenklaturists can actually step over formal laws to be able to fulfill the central plan [→ 4.3.3.1, 5.6.1.2]. However, the Chinese crisis mode is none other than the temporary reintroduction of what the normal way of functioning is in communist dictatorship.[55] Communist campaigns are exceptional, too, but they go beyond communist rule in default and bring even more severe control and rights suspension for the given period.

Finally, **in a patronal autocracy the *de jure* ruling party does not rule the country, for the actual ruling competences are moved outside the party's formal bodies**. While state action in patronal autocracy aims at realizing elite interest [→ 2.3.1], neither power centralization nor personal-wealth accumulation is a matter that formal party bodies control. The party merely mediates between informal/personal and formal/institutional competences and positions. Accordingly, it may be called a transmission-belt party:

- **Transmission-belt party** is a vassals' party which is the *de jure* ruling party in a patronal autocracy. Its formal decision-making bodies have no *de facto* power over the actions of the party, which does not make decisions but only represents and executes in the formal institutional realm the decisions made informally by the adopted political family. Therefore it indeed is the transmission belt of the adopted political family.

Before the collapse of the Soviet Union, the Marxist-Leninist party, as the center of power, did have transmission belt organizations in the sense that they transmitted the will of the topmost body of the communist party to various segments of society [→ 3.5.2]. In patronal autocracies, the ruling party becomes a transmission belt of the informal patronal network, that is, of the adopted political family. We may sum up the differences between such a party and a governing and state party as follows:

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[51] Heilmann, "3.7. Informal Methods of Exercising Power," 184.

[52] Heilmann, "3.1. The Center of Power," 161.

[53] Heilmann, 159–60.

[54] Heilmann, 161.

[55] Heilmann, "3.8. Between Fragmented Authoritarianism and a Re-Concentration of Power," 191.

- **the *de jure* ruling party is not the central actor of the regime**. It is commonplace to treat the ruling party as the regime's central actor, which makes laws, formulates policies, and generally steers the country in a certain direction. This is justified in liberal democracy and communist dictatorship but not in patronal autocracy. While it usually includes some actual decision-makers as well (often the chief patron at its helm), the transmission-belt party is a subordinate, secondary entity to the ruling patronal network, the adopted political family. Indeed, the transmission-belt party is one of the many institutions used by the informal patronal network to grant its activities a formally democratic appearance. The regime's actual central actor, then, is the adopted political family, and the chief patron's vassals' party does not act independently from it or him;
- **the party's actions are not decided upon by the formal party leadership (or membership) but those who are informal members of the patron's court**. This is a point already included in the definition. Naturally, there is overlap between formal and informal membership, but it is the informal position that matters. Those who are in the patron's court have decision-making power, with or without formal authority, whereas those inside the party leadership but outside the patron's court are not decision-makers and they are not "politicians" either. While they look like politicians, they indeed are political front men, that is, simple executors of the *de facto* leaders' decisions;
- **there are no internal factions or "cleavages" within the party *as such***. While factions are everyday in a democratic party, and a centralized party might have a "reform branch" or other, value- or interest-based informal alliances between formal members, such phenomena are non-existent in a transmission-belt party. For the party is a simple executor, a vassals' party where members with only *de jure* competences have no *de facto* powers that could be united for a common goal in a faction. Conflicts might arise only between members of the adopted political family, like the chief patron and renegade oligarchs [→ 3.4.1.4], and the fights that seem to be between formal members of the party are, in fact, linked to the internal matters of the informal patronal network [→ 4.4.3.3].

A final point to underline why it is misleading to speak about the *de jure* ruling party as the *de facto* leading actor of patronal autocracy, it is revealing to consider transmission-belt party not only from the aspect of power but of ownership as well. Concretely, **the wealth the adopted political family accumulates does not belong to the party: formal party bodies have no jurisdiction over the money or companies**, neither formally nor informally. In other words, that the chief patron and his circle accumulate does not mean that those who are even high-ranking members of the party automatically have access or a say in the matters of accumulation. Indeed, it is high-ranking members of the adopted political family, poligarchs and oligarchs who accumulate and they do so independently from the party (i.e., from the formal competences of the party leaders). Independent wealth-accumulation implies that even if the party is removed from power in elections, the wealth does not move immediately to the new rulers (as opposed to state-owned assets). Rather, it

will be in the formal ownership of oligarchs and economic front men [→ 3.4.3], who may therefore be able to exercise definitive influence over the polity even under such circumstances [→ 5.3.4.4, 4.4.4].

To sum up, in a patronal autocracy **the adopted political family becomes the real center of power, which gains formal legitimacy through the party that meditates the adopted political family's will toward the formally democratic political institutions**. In a sense, the party itself is a "political front man" of the adopted political family, whereas the chief patron, if in the position of president of the country, standing above the parties, may at times (as in, for example, Russia) not even formally be a "member" of the delegating party even as this same patron controls the party's cadre and policy matters.[56]

3.3.9. Opposition Party—Marginalized / Domesticated / Absorbed / Liquidated / Fake party

Parties that are formally against the rulers are banned in the ideal typical communist dictatorship. In a liberal democracy, however, they are among the most important pillars of the system, guaranteeing the altering of administrations:

- **Opposition party** is a party that aims at getting political power, or the ruling positions of the state, removing its current holders. Opposition parties are autonomous organizations, independent in their executive decision-making from the prevailing government. They have their own voting base, and have the chance and willingness to expand that base to an extent where it can win the elections.

In a patronal autocracy, opposition activity is legal but they do not have a chance to win the elections. Indeed, we can formulate **a typology of (formally) opposition parties** in patronal autocracies, differentiating four ideal types (Table 3.2).

The first four ideal types represent **four ideal typical ways of neutralizing opposition parties**, which is part of the broader process of neutralization of democratic public deliberation [→ 4.3]. **First,** there is **marginalization**, making a party—which otherwise resembles liberal democracy's opposition parties—unable to win the elections:

- **Marginalized party** is a party that aims at getting political power, or the ruling positions of the state, removing its current holders. Marginalized parties are autonomous organizations, independent in their executive decision-making from the adopted political family. They have their own voting base, but they do not have the chance, only the willingness, to expand that base to the level that it can win the elections, due to the intervention of the mafia state.

[56] Hale, *Patronal Politics*, 282–91.

Table 3.2. Opposition parties with different formal and de facto status in a patronal autocracy.

	Formal status	De facto *status*	*Function*
Marginalized party	Opposition	Neutralized opposition (without winning chances)	Pretense of competition (with minimal oversight and gains)
Domesticated party	Opposition	Neutralized opposition (subordinated to the chief patron)	Pretense of competition
Absorbed party	Opposition (former coalition partner)	Neutralized opposition (emptied by the chief patron)	Pretense of competition
Liquidated party	Opposition	Neutralized opposition (liquidated by the chief patron)	n.a.
Fake party	Opposition	Virtual opposition (created by the chief patron)	Pretense of competition / obstruction of real opposition

"The intervention of the mafia state" includes two types of acts. First, there is **financial incapacitation** through fines, driving away private donors via (implicit) blackmail, existential threats against party members and their families etc. Being financially incapacitated means not only a limited scope of political action for the respective party but also **inability to develop a patron-client pyramid**, that is, to become a patron's party and a party-based clan. Thus, these parties are confined to the realm of political action, which is one of the reasons why they resemble Western-type opposition parties in a patronal environment.

The second type of acts resulting in marginalization of opposition parties includes restricting media access, state discrimination against activists, criminalization in the media, politically selective law enforcement etc.[57] This phenomenon is often noted in hybridology by the concept "uneven playing field," popularized by Levitsky and Way in their renowned book, *Competitive Authoritarianism*.[58] However, this expression does not exclude the possibility of winning, just understands it as highly unlikely. Indeed, **in the ideal typical patronal autocracy, the "playing field" is made "uneven" as much as is needed** to ensure the opposition cannot win. Hence, the opposition is marginalized permanently, justifying the separation of the concept of "marginalized party" from that of a weak "opposition party."

The basic function of marginalized parties, or the reason why they (and opposition groups in general) are not banned entirely, **is the pretense of competition**. By gaining a minor number of seats in the parliament, marginalized parties enjoy minimal oversight over the transmission-belt party, and they usually get some funding from the state as well. But this does not change the fact they have no winning chance or significant influence; on the contrary, parliamentary seats and state incomes incentivize such actors to strive on and maintain the pretense of competition.[59]

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57 Ripp, "The Opposition of the Mafia State," 603–7.

58 Levitsky and Way, *Competitive Authoritarianism*, 9–12.

59 For an example from Orbán's Hungary, see Balogh, "A Few Tricks Later, Hungarian Legislators Overwhelmingly Vote Themselves a Raise."

The second way of neutralization is domestication:

- **Domesticated party** is a party that formally aims at getting political power, but informally it acts out the role of an opposition incapable of ever winning against the ruling party. Domesticated parties are client organizations, dependent in their executive decision making on the adopted political family. They have an own voting base, but they have neither the chance nor the willingness to expand that base to the level that it can win the elections.

A domesticated party is, by definition, preceded by an opposition party (in the liberal democratic sense) or a marginalized party that was then "domesticated" by the adopted political family. Domestication includes informal deals and blackmail, as well as compensation of the leading members of the domesticated party in the form of financial and political career opportunities. At the same time, these parties can be radically critical of the ruling party and attract opposition voters, who do not know that the party is informally a vassal affiliate of the adopted political family. Keeping up the pretense of competition, **domesticated parties serve to underpin the argument of the rulers that it is not the system which makes the opposition unable to win but the clumsiness of government-critical parties**.[60]

The third way of neutralization is absorbing:

- **Absorbed party** is a party that formally aims at getting political power, but as it was an opposition party that was threatening for the ruling party it is co-opted and subsequently emptied by the regime. Absorbed parties (if they are not dissolved) remain autonomous organizations, independent in their executive decision-making from the adopted political family. They do not have a substantial voting base anymore and they do not have the chance, only the willingness, to expand that base to the level that it can win the elections.

Absorption by the regime is a three-step process: (1) the patron's party (perhaps while in opposition) makes the respective party and ally or even a coalition partner; (2) situations are created in which the party becomes discredited; (3) the patron's party wins over the voters of the party by presenting itself as a true representative of the values that were originally represented by the absorbed party. Indeed, the way the patron's party co-opts can be understood as a "deadly embrace," whereby it eventually neutralizes the party by emptying it in terms of popular support. In Hungary, such absorption happened to both the Independent Smallholders' Party (FKGP) and the Hungarian Democratic Forum (MDF), two substantial right-wing parties that were co-opted by Fidesz into government in 1998 and completely absorbed in the following years.[61]

The fourth way of neutralization is liquidation:

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[60] For further discussion, see March, "Managing Opposition in a Hybrid Regime."

[61] Enyedi, "The Survival of the Fittest: Party System Concentration in Hungary."

- **Liquidated party** is a party that formally aims at getting political power, but as it was an opposition party that was threatening for the ruling party it was liquidated by the regime. Liquidated parties (if they are not dissolved) remain autonomous organizations, independent in their executive decision-making from the adopted political family. They do not have their own voting base anymore, and they neither have the chance nor the willingness to expand that base to the level that it can win the elections.

"Liquidation by the regime" includes acts like banning, and imprisonment or perhaps even murder of party leaders. Liquidation always follows unsuccessful attempts to force an opposition party into a domesticated position, but it is not always followed by the dissolution of the party. A party might continue to exist after liquidation, but—as opposed to a marginalized party—it will virtually leave the political arena and not aim at getting political power anymore, but rather exist in a neutral, indifferent position in the polity.

The four ways of neutralization utilize means of different levels of brutality. On the one hand, we can observe the means targeting the parties as organizations: there is financial incapacitation (the lightest method, employed in marginalization); forcing the party out of the political arena (the middle method, employed in liquidation); and banning/dissolving the party (the most brutal method, employed in specific cases of liquidation). On the other hand, we can observe the means targeting the heads of the parties: there is character assassination in the media (the lightest method); initiating criminal proceedings, eventually leading to the imprisonment of the opposition leader (the middle method); and murder (the most brutal method). Which method is employed follows not an ideology but mere pragmatism: whatever the adopted political family needs to neutralize the party in question, it will employ it, while trying to keep up the democratic façade of multi-party competition.[62] **The timing of neutralization** also varies: the chief patron may act (a) before the election, whereby he preemptively neutralizes a party that might become a threat,[63] or (b) after the election, detaining opposition members who were the primary vote-getters and leaders of protest movements. The latter technique has been frequently applied in Belarus, where no real opposition party has won seats in decades but protests have been organized after fraudulent elections (see Box 3.3).[64]

Box 3.3. Managing the opposition in Belarus.

"[In Belarus], divisions led to the emergence of two informal blocs of opposition parties to contest the 2004 parliamentary elections: the Coalition Five Plus and the Democratic Centrist Coalition (DCC). After restrictions on the opposition's ability to organize throughout the campaign, none of the opposition candidates contesting the election won seats. As with the 2000 parliamentary election, most seats went to independent candidates who supported the president's agenda. [In 2006 presidential elections], Lukashenko officially received almost 85% of the vote [. . .]. Once again, international monitors declared the election to be fraudulent and thousands of protesters poured into Minsk's central square after the results were announced. Days of subsequent protests culminated with the arrests of Alexander Kazulin and Alexander Milinkevich [the two leading opposition candidates]. Kazulin was sentenced to a lengthy jail term. Milinkevich escaped a similar fate, but was repeatedly detained under charges ranging from taking part in an unsanctioned rally to drug trafficking in the months that followed. [In] 2009, [while] campaigning took place without official restrictions, President Lukashenko continued to enjoy favourable media coverage and officially received almost 80% of the vote. [Andrei] Sannikov was the leading vote-getter among the opposition candidates, but none of the nine [candidates] officially received more than 2.5% of the vote. Seven of the nine candidates were then detained in the wake of post-election protests."

– Konstantin Ash, "The Election Trap: The Cycle of Post-Electoral Repression and Opposition Fragmentation in Lukashenko's Belarus," Democratization 22, no. 6 (2015): 1036–37.

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62 Wilson, *Virtual Politics*, 187–265.

63 Schedler, "The Menu of Manipulation."

64 Ash, "The Election Trap."

That no "real opposition party" could win seats in Belarus implies that there were "not real" ones that could. Indeed, **Belarus** represents a special, deviant case that has been described as a "non-party political system" where most seats go not to a ruling party but *de jure* independent candidates who support Lukashenko.[65] Yet this leads us, after discussing the three neutralized parties in patronal autocracy, to **the final "opposition" party type**, which is particular to patronal autocracies: fake parties.

- **Fake party** is a party that formally aims at getting political power, but informally it was created by the adopted political family as virtual opposition. Fake parties are client organizations, dependent in their executive decision-making on the adopted political family. They might have their own voting base, but they have neither the chance nor the willingness to expand that base to the level that it can win the elections.

Fake parties are typically launched by the chief patron in two cases. On the one hand, **they can be launched when brushing the opposition parties off the party structure has been "too successful,"** and the central power decides it needs to have "opposition parties" to fit well into the democratic scene. This has been the case in **Turkmenistan** since 2007, where fake opposition emerged in form of fake parties as well as fake presidential candidates, all being vocal supporters of chief patron Gurbanguly Berdimuhamedow.[66] On the other hand, **a chief patron may decide to launch fake parties to help him marginalize existing opposition parties**, reducing their winning chances by dividing the opposition. Such parties were created in **Hungary** in 2014, although not directly by the chief patron (or his clients) but indirectly, through the deliberate restructuring of campaign financing and the relaxation of rules of candidacy. The plentiful availability of campaign funds gave adventure-seeking rogues the incentive to pick up the funding in the name of parties that practically did not exist.[67] The appearance of these parties disoriented voters and fragmented the government-critical votes, which was instrumental in keeping Fidesz's supermajority.[68]

3.4. Economic Actors in the Three Polar Type Regimes

In this part, we span conceptual spaces (define 3–3 corresponding ideal types) for **actors of the sphere of market action** in the three polar type regimes. The actors were chosen (1) on the basis of their importance for the functioning of each regime type and (2) only if ideal typical differences could be noticed between them in the three polar type regimes. In other words, although some of the economic sphere's actors we omit (such as workers)

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[65] Kazakevich, "The Belarusian Non-Party Political System: Government, Trust and Institutions 1990–2015."

[66] Hale, *Patronal Politics*, 247–48.

[67] Magyar, *Post-Communist Mafia State*, 221–22.

[68] Balogh, "Fidesz-Created Bogus Parties as Means of Political Gain."

might be important in one or more regimes, we decided not to include them if the actors fulfilling their roles in different regime types were essentially the same, that is, if they could not be distinguished ideal typically.

Naturally, as the spheres of social action are fully separated only in the ideal typical liberal democracy, some of the following actors (the ones belonging to patronal autocracies and communist dictatorships) are also part of the political and communal spheres. Yet, as we want to structure our discussion of actors, we decided to separate them as they are separated in the mainstream literature. This way, it will also be seen why the words—indeed, formal titles—which are used in the language of liberal democracy and mainstream economics to denote these actors are inappropriate for the corresponding actors in patronal regimes where informal institutions have supremacy.

3.4.1. Entrepreneur—Oligarch—State Enterprise Leader[69]

3.4.1.1. Entrepreneurs vs. communist state enterprise leaders

The primary form of economic action is **setting the course of production**, that is, to decide how scarce resources are to be used to create goods and services. Those who engage in this type of market action may be recognized as **"primary economic actors."** In our understanding, they are who possess **economic power**, meaning the capacity to make decisions about the functioning of their economic unit, particularly its profile and/or the course of production. ("Economic unit" refers to any kind of entity which supplies goods and/or services to private costumers.) In other words, when we speak about primary economic actors, we speak about the **owners**, meaning those who dispose of the *de facto* ownership rights that entail him to use and control his economic units (endogenous property rights [→ 5.5.3.4]).

In a communist dictatorship, the economy is a planned economy that is characterized by the dominance of public ownership, whereas the economies of liberal democracy and patronal autocracy, while vastly different, both are capitalist and characterized by the dominance of *de jure* private ownership [→ 5.6]. Therefore, **the communist primary economic actors are also the main political actors**, namely the central planners in the nomenklatura,[70] and **primary economic actors *de jure* detached from the political sphere exist only in capitalist economies**. This leads us to the first comparison, between entrepreneurs—who exist in capitalist economies—and communist state enterprise leaders:

- **Entrepreneur** is an actor who has formal economic power and nothing else. In other words, he is the owner of an economic unit that exists under normative regulations. The criterion of his success is marketability (that is, his ability to meet consumer demand), on the basis of which he enjoys profit and loss. He does not necessarily have connections to (formally) political actors, but in case he does,

[69] We are indebted to Júlia Király for her suggestions to this part (as well as to several other parts of the book).

[70] Kornai, *The Socialist System*, 111–21.

those connections—or at least the decisive ones—are formal and voluntary on both sides (non-embeddedness in the ruling elite).

- **State enterprise leader** is an actor who has no economic power but engages in economic action in the management of a specific state-owned enterprise. In other words, he is no owner but can make executive decisions about his economic unit that exists under normative regulations. His criterion of success is his ability to organize production in a way to meet the requirements of the central plan, from which it follows that he does not personally enjoy profits or losses of his activity. He necessarily has connections to (formally) political actors, and these connections—or at least the decisive ones—are formal and coercive from the side of the political actors (central planners).

As the latter definition shows, **the state enterprise leader is a mere functionary**, a member of the nomenklatura, who is **assigned with the task of meeting the physical targets of the central plan**. Because the course of production is already set by the central planner, there is no room for Schumpeterian entrepreneurship and innovation for the state enterprise leaders.[71] Indeed, innovation in socialist state-owned enterprises occurs not on the production/supply side—trying to find new ways to serve the costumers—but on the management side—trying to find new ways to fulfill the plan with an inadequate amount or quality of assets, overcoming the inherent bottlenecks of the planned economy.[72] Moreover, in default of the enjoyment of profits or losses, state enterprise leaders **lack the incentives to run their business profitably**. Kornai introduced the term "soft budget constraint" for the phenomenon when the state makes up for the losses of (state-owned) enterprises, thereby removing the incentive not to have losses.[73] Nevertheless, as he notes, in communist dictatorships "[it] is customary […] to employ incentive schemes that could give the top executives of state-owned firms a measure of interest in raising profits, and the interest may even extend to the firm's whole workforce. But it is normally a loose and weak interest. The scale (usually small) and precise formula of the incentive are set arbitrarily by the higher authorities, so that it becomes a mere means of control, that is, an incentive of the [artificial] kind […], and not a type of a property right under which the whole residual income belongs to the owner."[74]

In sharp contrast, the entrepreneur is the owner of an economic unit, possesses economic power and **bears market risk, creating the incentive scheme to reach profits and avoid loss**.[75] As the definition states, the success criterion of an entrepreneur is not meeting some central plan but marketability, meaning his ability to meet consumer demand. Naturally, "marketability" does not necessarily refer to the entrepreneur's excellence in any objective sense: indeed, his success is influenced by a wide variety of different factors, many beyond his personal qualities.[76] But at the end of the day, he can earn only

71 Kornai, "Innovation and Dynamism."

72 Laki, "Kényszerített innováció" [Forced innovation].

73 Kornai, "The Soft Budget Constraint," 35–39.

74 Kornai, *The Socialist System*, 74.

75 Mises, "Profit and Loss."

76 For a classic analysis, see Blanchflower and Oswald, "What Makes an Entrepreneur?"

if other people on the market are willing to pay for what he offers; that is, if there is demand for what he supplies. Also, the entrepreneur secures both market and state contracts through transparent competition, whereas other entrepreneurs are free to enter the market and outcompete him. This is naturally unimaginable in an economy where the state is the monopoly owner. There, state enterprise leaders do not "enter" when they see a profit opportunity in a market, but they are appointed by higher-level members of nomenklatura.

To sum up, **entrepreneurs are primary economic actors whereas communist state enterprise leaders are secondary economic actors**, being the subordinate servers of the central planners who are the primary economic actors. In a capitalist system, the closest to communist state enterprise leaders is a corporate manager, whose task however is to make profit for the owner on the market and not to meet physical targets of the central plan. The similarity can be noted in that state enterprise leaders are, too, technocrats, especially in reformed communist regimes where they got more freedom in a more decentralized system. And while they did not have a proper incentive system of profit and loss there either as the budget constraint remained fairly soft,[77] **technocratic skills allowed former state enterprise leaders to become entrepreneurs** after a capitalist system was established by privatization (management-employee buyout and secondary privatization [→ 5.5.2]). As Szelényi and his colleagues noted about Central-Eastern European economies in the 1990s, "most of the economic command positions in the post-communist corporate sector are occupied by former communist technocrats who were younger and much better educated than senior cadres."[78] Yet this could happen **only when the monopoly of state ownership ended and private ownership emerged**. After the regime change, private actors gained economic power in a regulatory environment that sets limits to free-market entrepreneurship rather than setting the course of production in a merger of economic and political spheres.

3.4.1.2. Major entrepreneurs vs. post-communist oligarchs

Entrepreneurs are not particular to liberal democracy but may exist, with different weight, in any regime that features a capitalist economy. Focusing on polar type regimes, **entrepreneurs exist in liberal democracy as well as patronal autocracy**. However, the economy is different in the former regime, where the spheres of social action are separated, and in the latter, which constitutes a **collusion of economic and political spheres**. For in the case of collusion, the instruments of public authority are used discretionally, in favor of certain targeted actors, who can earn regardless of meeting or not meeting demands of the consumers (marketability). In such a system of **political capitalism**, *de jure* private owners secure illegal support for their (otherwise legal) economic activity by various means of corruption.

We will elaborate on corruption and the notion of political capitalism in Chapter 5 [→ 5.6.3]. At this point, it suffices to say that it is a certain type of political capitalism that prevails **in patronal autocracies**, too, where the spheres of social action are formally separated but informally related through the adopted political family. **The distinctive type of economic actor** appearing in the systems of political capitalism of patronal regimes is the oligarch:

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[77] Kornai, *The Socialist System*, 489–97.

[78] Eyal, Szelényi, and Townsley, *Making Capitalism Without Capitalists*, 13, 173–76.

- **Oligarch** is an actor who has formal economic power and informal political power. In other words, he is the owner of an economic unit that exists under discretional regulations. The criterion of his success is patronal allegiance (that is, his ability to seek favors from patrons), on the basis of which he may enjoy profit and loss. He necessarily has connections to (formally) political actors, and those connections—or at least the decisive ones—are informal and coercive on either his or the other actor's side (embedded in the ruling elite).

On the one hand, **the oligarch is the inverse of the poligarch**: poligarchs have formal political power and informal economic power, whereas oligarchs have formal economic power and informal political power [→ 3.3.3]. The appearance of such actors in patronal autocracies follows the notion of power&ownership, that there can be no property without power and power without property [→ 5.5.3.5]. **The poligarch is what the formally political actors become in a system of power&ownership; the oligarch, what the formally economic actors become.** Nevertheless, it should be made clear at this point that oligarchs are not particular to patronal autocracies; indeed, **oligarchs may appear in other regimes** with other types of political capitalism as well. Furthermore, while the term "oligarch" conjures images of vast wealth and national—even regional—influence, we can observe in the post-communist region some local "oligarchs," too. Such actors, if their local embeddedness, influence and wealth are to be considered, would better be called **minigarchs**, using an apt expression from the literature.[79] Though the size and scale are different in the case of oligarchs and minigarchs, their structural attributes are practically the same.

On the other hand, **the oligarch is the opposite of the entrepreneur**. While this point will be crucial in our discussion of market and relational economies [→ 5], the distinction between these two types of actors is not obvious. Indeed, **politically well-connected major entrepreneurs in liberal democracies are colloquially referred to as "oligarchs,"** whereas parallels are sometimes drawn between oligarchs and the "robber barons" of 19th-century U.S. capitalism as well. An expert economist of the region, Anders Åslund argues that Russian oligarchs in the 1990s were practically the same as American robber barons: businessmen who amassed large wealth from monopoly rents, exploiting underdeveloped institutions and corrupting developed ones like courts and legislatures.[80] Another scholar, Johanna Granville, makes a good response to this point: "Those well-connected young men [the oligarchs] made fortunes not by creating new enterprises that increased their country's wealth, as did Carnegie (steel), Rockefeller (oil), Ford (automobiles), and Morgan (finance). Instead, they played the role of old state trading monopolies, arbitraging the huge difference between old domestic prices for Russian commodities and the prices prevailing on the world market. Instead of investing in the Russian economy, they stashed billions of dollars in Swiss bank accounts. Experts estimate that as much as $15 billion leaves Russia each year as either 'capital flight' or laundered money from illegal transactions."[81]

Focusing on contemporary billionaires, we may make a more detailed comparison of oligarchs and major entrepreneurs ("major" meaning the ones comparable in size, eco-

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79 Havrylyshyn, "The Formation and Role of Oligarchs."

80 Åslund, "Comparative Oligarchy."

81 Granville, "'Dermokratizatsiya' and 'Prikhvatizatsiya'," 449.

nomic power and national importance to post-communist oligarchs) by revisiting their definitions. From the way we defined "entrepreneur" and "oligarch," we can immediately see the **three ideal typical features that distinguish them**:

- **the nature of political connections**. That a **major entrepreneur** is "well-connected" might mean that his company spends much on lobbying, that is, a formalized process whereby offers are made to politicians who may or may not accept them. Besides **the relation being formal**, it is also **voluntary on both sides**. Lobbying may be successful if the politician finds the entrepreneur's offer beneficial, and the entrepreneur is not forced to form a relation with the politician [→ 5.3.1]. In contrast, an economic actor may be recognized as an **oligarch** when he has formal economic power and informal political power, that is, **informal and coercive relations** to *de jure* political actors. This does not mean he may have no formal state relations whatsoever, rather that the relations that dominantly influence his economic activity are informal (hence "decisive" in the definition). Indeed, this means that the oligarch is part of a patronal network while the major entrepreneur is not. The relation may be coercive (a) from the side of the oligarch or (b) from the side of the *de jure* political actor, like a president chief patron: both alternatives constitute a pattern of coercive corruption [→ 5.3.2.3];
- **the nature of political favors**. On a competitive market, a **major entrepreneur** operates under **normative regulations**, which follows from the fact that it exists under a constitutional state with minimal amplitude of arbitrariness (as explained in the previous chapter [→ 2.4.6]). The lobbying efforts of a major entrepreneur under liberal democracy may also be targeted toward such regulations, typically as part of a **business group** as regulations are applicable to entire industries normatively. This is in contrast to **oligarchs**, who are embedded not in a business group but an **informal patronal network** and operate under **discretional regulations**, supplied by patrons with wider amplitude of arbitrariness in "picking the winners" of competition and suppressing others in a discretional fashion (we will return to this in Chapter 5 [→ 5.4.2.3]);
- **the nature of success**. Major entrepreneurs on a free market (1) become "major" through technical/organizational innovation, that is, capturing market opportunity by introducing a highly marketable product or service, and (2) remaining "major" does not depend on their personal allegiance to a *de jure* political actor. In contrast, oligarchs in a system of political capitalism (1) become oligarchs irrespective of market innovation, typically by securing monopoly grants with political/patronal support,[82] and (2) remaining oligarch depends on their patronal allegiance, meaning their informal political connections are necessary to maintain their economic elite status. In other words, **a major entrepreneur can remain profitable without political favors**, relying only on the invisible-hand process of the free market [→ 2.6], while **the profitability of an oligarch depends on political actors maintaining discretional privileges**.

[82] Fellow-traveler oligarchs are a partial exception, as they may become major entrepreneurs first and then turn into oligarchs to survive and prosper in a patronal environment [→ 3.4.1.3].

In short, the main difference between the oligarch and the major entrepreneur is that the former uses his legitimate fortune not only to build economic but political power as well, creating a collusion of spheres of social action. **The oligarch's economic power is public, but his political power is kept hidden.** Yet the above-quoted passage about the differences between oligarchs and "robber barons" suggests that oligarchs are distinguished from the ideal type of the entrepreneur not only by the advantages the regime ensures. In Table 3.3, we provide a more comprehensive overview of major entrepreneurs and oligarchs, including aspects like the measure of vulnerability to power, the degree to which the oligarch's particular economic activity and existential conditions make it possible to force him into a patron-client type of relationship. Most of these have been either mentioned previously or are going to be explained in detail in Chapter 5 (like privatization [→ 5.5.2] and rent-seeking [→ 5.4.2]). The only feature we may explain at this point is **the nature of activity, which refers to the state's ability to create rent-collecting opportunity for the oligarch**. As we mentioned in Chapter 2, "rent" is the difference between what income would have been in open relationship by closing such relationships to certain individuals. "Nature of activity," in turn, defines whether the relationship can be closed, that is, monopolized by the state, forcing out competitors. In industries which are difficult or impossible to mo-

Table 3.3. Model differences in the positions of the ideal typical major entrepreneurs and oligarchs.

	Major entrepreneur	Oligarch
Relationship to the ruling elite	not embedded (remains in the sphere of market action, uses lobbying through formal channels to exert influence)	embedded (enters the sphere of political action by forming informal—patronal—relations with the leading political elite)
Economic activity	legal	legal
Economic activity ordered on basis of	competition, legal market practices	personal (patronal) contacts, illegal or "legalized" practices
Business performance	dependent primarily on performance on the market	dependent primarily on patronal relationships
Nature of activity	difficult, or impossible to monopolize by the state	easily monopolized by the state
Conditions for the business venture	not directly under the influence, or hardly influenced by state arbitrariness (not easy to blackmail, less vulnerable to political decisions)	established by state arbitrariness and therefore wholly prone to state influence, even to the extent of liquidation (open to blackmail)
Source of wealth accumulation	mainly market, though also possibly competitive privatization	mainly directed privatization, state concessions, public procurement with illegally guided bids
Nature of risk	independent from single (de jure) political actors, market dependent	under influence of single (de jure) political actors, based on patron-client relationship
Utilization of profit	utilized in transparent fashion, largely reinvested	drawn out of the venture, utilized in other (less transparent) fashion
Type of venture	innovative, market-oriented, got big by the consumer's decisions (market means)	non-innovative, patronal-network oriented, got big by patronal intervention (extra-market means)

nopolize (often as a result of the innovative nature of the business), we typically see major entrepreneurs even in patronal regimes, whereas the more easily monopolizable industries are taken over by oligarchs.

While the oligarch is the distinctive type of economic actor in patronal regimes, we mentioned that patronal autocracies also feature entrepreneurs. However, it can be observed that, **as the world of oligarchs expands, the world of entrepreneurs shrinks** (other things being equal). This is true in both multi- and single-pyramid systems, as well as when markets are effectively taken over by oligarchs and when they are not. For in the latter case, entrepreneurs who managed to retain their autonomy—usually in the sector of small or medium-sized enterprises—often decide to (a) narrow or stop production in the domestic market [→ 5.5.4.3] or (b) they become the subcontractors and suppliers of oligarchs, becoming dependent on the system of political capitalism [→ 6.2.2.2]. Alternatively, entrepreneurs may enter the grey zone of informal economy, devoting their innovative capacities not to maximize real production and meet consumer demand but to avoid being prey to the adopted political family [→ 5.6.1.4].

3.4.1.3. A typology of oligarchs and the breaking of oligarchic autonomy in patronal autocracy

Developing a conceptual toolkit for the post-communist region, we offer a typology of oligarchs in patronal regimes, patronal democracy and patronal autocracy (Table 3.4). First, we identify three types that appear **in both patronal democracy and patronal autocracy,** that is, in multi-pyramid as well as single-pyramid systems.

- **Inner circle oligarch** is an oligarch who is among the founders of a patronal network. Indeed, he did not have significant wealth to begin with but made his start-up capital via positions weaving through politics. Inner circle oligarchs belong to the top spheres of the adopted political family, and also play seminal roles in both the spheres of political and market action.

- **Adopted oligarch** is an oligarch who has been accepted as member of a patronal network. Indeed, he had significant wealth to begin with but decided to boost his capital via positions weaving through politics. Adopted oligarchs may or may not belong to the top spheres of the adopted political family, and usually play greater roles in the sphere of market action than political action.

- **Patron-bred oligarch** is an oligarch who has been fostered by a patron (typically the chief patron). Indeed, he did not have significant wealth to begin with but became part of the adopted political family and has been given lucrative economic positions accordingly. Patron-bred oligarchs do not belong to the top spheres of the adopted political family, and act in the sphere of market action with the active help of others in the connected spheres of market and political action.

As it can be noticed, the three types are ordered according to their influence over the sphere of political action, or rather their importance regarding the patronal network they

belong to. These actors are the basic types of oligarchs that can be found in any patronal network, be it in patronal democracy or autocracy.

In the post-communist region, adopted oligarchs accumulated their wealth in the period of oligarchic anarchy [→ 2.5], that is, after the regime change and often as a result of the chaotic, spontaneous privatizations of former (communist) state property [→ 5.5.2]. Their admission into the political family only stabilizes their position and protects them in the world of politically motivated, violent redistributions of wealth. They can access opportunities offered by the adopted political family, and provide benefits in return; their contributions are exacted as the economic or political demands of the political family would have it, at any given time. Their account balance nevertheless remains in the black by a wide margin. As for inner circle oligarchs, their wealth can be compared to that of adopted oligarchs but they accumulated it by forming close ties to politicians and political ventures in the first place, developing independent patronal networks around them. In con-

Table 3.4. A typology of oligarchs in patronal regimes (in descending order according to distance from the chief patron in a patronal autocracy).

	Initial source of wealth	Patronal connections	To which feature the category refers to	Presence in patronal regimes
Inner circle oligarch	Patronal network	Embedded	Being founder of a patronal network	Patronal democracy + autocracy
Adopted oligarch	Private sector / patronal network (different from present)	Embedded	Having been accepted as member of an already existing network	Patronal democracy + autocracy
Patron-bred oligarch	Patronal network	Embedded	Being fostered by a patron	Patronal democracy + autocracy
Surrendered oligarch	Private sector / patronal network (different from dominant)	Embedded	Having been subjugated by the chief patron	Patronal autocracy
Fellow-traveler oligarch	Private sector	Not embedded	Maintaining constrained autonomy from the single-pyramid network	Patronal autocracy
Recalcitrant oligarch	Private sector / patronal network (different from dominant)	Not embedded	Being undecided as to what attitude he should have toward the chief patron	Patronal autocracy (temporarily)
Autonomous oligarch	Private sector	Not embedded	Having no patronal allegiance (maintaining equally good relations to every network)	Patronal democracy
Rival oligarch	Private sector / patronal network (different from dominant)	Not embedded	Resisting domination attempt of the single-pyramid network	Patronal autocracy (temporarily)
Liquidated oligarch	Private sector / patronal network (different from dominant)	n.a.	Being removed from the game (alive or dead)	Patronal autocracy
Renegade oligarch	Private sector / patronal network	Not embedded (previously embedded)	Betraying and turning against his adopted political family	Patronal democracy + autocracy

trast, patron-bred oligarchs gained wealth after the patronal network was developed and they were adopted. There are various ideal typical subtypes of patron-bred oligarchs, such as: the one who is connected to the adopted political family as a relative (wife, husband, son-in-law etc.); the one who had been a member of the adopted political family primarily in the political sphere, which he left for the economic sphere (former ministers etc.); or the one who became wealthy as a patron's economic front man (to be defined below).

Second, there is one type of oligarch who appears **only in patronal democracy**:

- **Autonomous oligarch** is an oligarch who has no patronal allegiance but maintains equally good relations to the major informal patronal networks. Indeed, he had significant wealth to begin with but secured his capital from positions weaving through politics. Autonomous oligarchs are not embedded into any adopted political family, and act in the sphere of market action with occasional help, but more generally freedom, from others in the connected spheres of market and political action.

The autonomous oligarchs do not commit themselves permanently to any patronal pyramid, and they do not want to create their own political force either. While attempting to establish corrupt business relations with actors in the political sphere, they try to keep their integrity. This, however, is **only possible if no patronal network manages to monopolize all political power**. For in that case, a single-pyramid patronal network emerges, and drawing upon its monopoly of power it destroys the relative autonomy of the oligarchs and aims to integrate them into its own chain of command.

Logically, an autonomous oligarch has three possibilities **if a patronal democracy—** where he established his oligarchic position—**turns into a patronal autocracy**:

- **he can be positive** toward the chief patron, that is, accepting the new state of affairs and asking for adoption;
- **he can be negative** toward the chief patron, that is, not accepting the new state of affairs and actively fighting the patronal network's domination attempt;
- **he can be neutral** toward the chief patron, that is, trying to remain autonomous.

Also, for a limited amount of time, the autonomous oligarch can remain **undecided**; in that case, he is not an autonomous oligarch anymore but rather a recalcitrant oligarch:

- **Recalcitrant oligarch** is a former autonomous oligarch who has not decided yet what attitude he should have towards a newly established single-pyramid patronal network. Indeed, he made his wealth in a patronal democracy but, as the regime turned into a patronal autocracy, he is under the threat of being subordinated (made client) by the chief patron. Recalcitrant oligarch is a temporary category, meaning he eventually must decide from the three possible attitudes (positive, negative, and neutral).

In case the oligarch decides to be **positive**, he will become an **adopted oligarch**. In case he decides to be **negative**, he becomes a rival oligarch:

- **Rival oligarch** is a former autonomous oligarch who has decided to be negative towards the newly established single-pyramid patronal network. Indeed, he made his wealth in a patronal democracy but, as the regime turned into a patronal autocracy, he starts actively fighting the patronal network's domination attempt.

Rival oligarch is a temporary category. This means that he eventually either wins—in which case the regime degenerates into a multi-pyramid system—or **loses**. In the latter case, one of the two possibilities is to become a liquidated oligarch:

- **Liquidated oligarch** is a former rival oligarch who has lost his fight against the patronal network's domination attempt, and was forced to leave the political-economic arena (either alive or dead).

Among rival oligarchs, the adopted political family considers the most dangerous those who clearly have their own political ambitions; they become the targets of efforts at economic annihilation, and they are liquidated by the means of state coercion. On the other hand, those who do not have personal political ambitions and only support alternative political forces can count on more peaceful forms of liquidation. For both versions, model examples can be found in the case of Russia after 2003, when Putin started subjugating the country's formerly autonomous oligarchs.[83] Mikhail Khodorkovsky is a fine example of liquidation for having his own political ambitions as he was not only deprived much of his wealth but also sentenced to prison. On the other hand, Boris Berezovsky who was forced to sell his media companies and was also exiled provides an example for the second type of liquidation.[84]

The other possibility for a rival oligarch is to become a surrendered oligarch, which however is also the fate of those former autonomous oligarchs who decided to be **neutral** but were **unsuccessful**, meaning they could not keep their autonomy:

- **Surrendered oligarch** is either a rival oligarch, who has lost his fight against the patronal network's domination attempt, or a former autonomous oligarch who has decided to be neutral towards the single-pyramid patronal network but could not remain autonomous. Indeed, those oligarchs who had been rivals in the sense that they had been members of a rival patronal pyramid in patronal democracy, also become surrendered in a patronal autocracy.

The oligarchs who had not been autonomous before but "played for the rival team" had been "rival oligarchs" from the point of view of the patronal network competing with them. And if that network gets monopoly over political power and becomes the single-pyramid, these former rivals become surrendered (or liquidated) oligarchs, consequently. Ways to make them surrender include state contracts petering out under the mafia state, or

[83] For a classic piece on the subject, see Sakwa, "Putin and the Oligarchs."

[84] Hale, *Patronal Politics*, 272–73. Ten years after he left the country, Berezovsky was found dead at his home. To date, most signs point to that he committed suicide, although several observers have voiced their opinion that he might have been victim of homicide.

non-market tools of state coercion—tax authorities, prosecutor's office, police—enforcing the change indirectly. Since they are struggling to survive economically, with a lot to lose but no protected bargaining position with the regime, they are compelled to find their place in the chain of command under the political family. They enjoy privileges, but strictly meet all expectations of the chief patron and are subject to repeated cycles of "feeding and shearing" in terms of economic assets [→ 5.5.4.1].

Finally, if a former autonomous oligarch chooses to be **neutral** and he is **successful,** he becomes a fellow-traveler oligarch:

- **Fellow-traveler oligarch** is a former autonomous oligarch who has decided to be neutral towards the newly established single-pyramid patronal network and managed to remain autonomous, without any political ambition or further rivalry with the chief patron notwithstanding.

"Fellow traveler" is a translation of the Russian word *poputchik*, which was used by communist ideologists for those members of the intelligentsia who were outside the subordinating order of the nomenklatura but were neither ardent supporters nor persecuted by the communist party.[85] Similarly, fellow-traveler oligarchs are not subordinated into the single-pyramid patronal network but exist outside of it, enjoying constrained autonomy alongside the adopted political family.

As opposed to the rival oligarchs who actively fight the system and, in case of their success, the patronal autocracy degrades into a multi-pyramid patronal democracy, the success of fellow-traveler oligarchs entails no change in the regime. In the post-communist region, fellow-traveler oligarchs are basically not beholden for their wealth to any currently competing patronal network. Rather, their network reaches back to the period before or during the regime change, or they first became major entrepeneurs and then turned oligarchs to survive and prosper in a patronal environment. While still autonomous, the favors of fellow-traveler oligarchs were courted by different political sides for support, and they were further reinforced by this mutual dependence. However, the position of "equal accommodation and equal distance" towards rival political forces by patronal networks is undermined by the disruption of the political balance between competing patronal networks. The encroaching advance of the adopted political family tips these previously autonomous oligarchs out of their balancing act between various political forces, and in the first round, forced them into the roles of committed adjuncts in the venture. Though as allied oligarchs they have not been included in the political family's chain of command, they end any supportive ties with rival political forces or clans.

The possible trajectories of autonomous oligarchs are summarized in Figure 3.1. At the top of the figure, there is the initial state, the autonomous oligarch; in the middle, there are the two temporary categories (recalcitrant and rival); and at the bottom, there are the "terminal stations" in a patronal autocracy, which are ordered from left to right according to their level of subjugation. Naturally, as the chief patron aims at power concentration and wants to eliminate all autonomies beside him, **the most comfortable for him would be all oligarchs being strictly subordinated**, meaning either subjugated or adopted status.

85 Trotsky, *Literature and Revolution*, 61–104.

Liquidation is more of a "worst case scenario," which is necessary when an oligarch does not want to accept the chief patron's rule and takes up a fight against him. **The presence of fellow-traveler oligarchs is the least comfortable for the chief patron**, as in contrast to the oligarchs more deeply embedded in the adopted political family, the fellow-traveler oligarch does not owe his wealth to the chief patron, therefore he can retain more autonomy and **carries the potential to use his wealth to finance an opposition pyramid** (i.e., to become an inner circle oligarch). On the other hand, less embeddedness also means that fellow-traveler oligarchs do not enjoy such protected status as other members of the family [→ 3.6.3.1] and are **potential targets for predation**, which the chief patron will initiate as soon as he is able to do so without excessive losses [→ 5.5.4.1].

Figure 3.1. Possible trajectories of autonomous oligarchs in a single-pyramid patronal network.

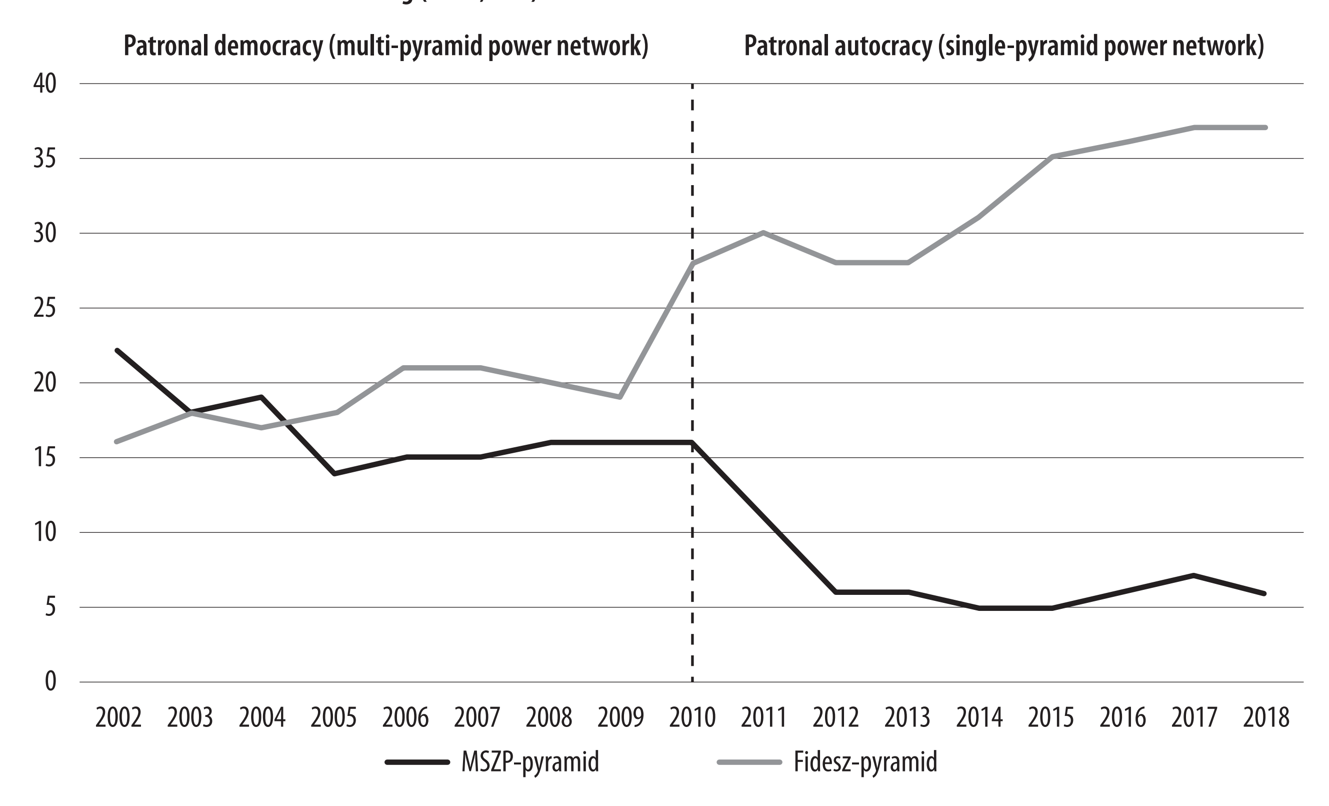
The pattern we described in ideal typical terms above is clearly visible in empirical data of the Hungarian patronal autocracy as well (Figure 3.2). Hungary is a good example because it had a relatively long period of patronal democracy before 2010, when two patronal pyramids competed with their own inner-circles and adopted oligarchs with considerable degrees of autonomy. The two pyramids had relatively equal strength, although the one represented by the governing MSZP had access to more resources than Orbán's Fidesz in opposition. Gábor Scheiring, who analyzed data from 2002–2018 about the political allegiance of the 100 richest Hungarians, also notes that the average wealth of Orbán-leaning billionaires was significantly smaller than that of MSZP-leaning ones at that time. However, he points out that despite MSZP occupied government in 2002–2010, the number of billionaires on its side soon started to decrease, and it was constantly lower than the number of billionaires on Orbán's side from 2005 on.[86] This follows from the fact that MSZP's net-

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[86] Scheiring, *Egy demokrácia halála* [How a democracy dies], 204. Indeed, Scheiring treats both major (domestic and foreign) entrepreneurs and oligarchs as a single "capitalist class." On this, see Part 3.6.1.1 below. We will also return to Scheiring's argument about the role of TNCs in Hungary as well in Chapter 7, when we will be discussing country-specific features [→ 7.4.5].

work, though it had an advantage in terms of access, was worse organized and less efficient in ensuring revenue streams than Orbán's one [→ 7.3.3.4]. The point that needs to be made, however, is that **the ability to change sides**, or at least to maneuver from the governing MSZP to the opposition Fidesz from 2005 on, **shows the level of autonomy oligarchs had** in this period of patronal democracy.

Figure 3.2. Number of Hungarian oligarchs associated with MSZP or Fidesz, 2005–2018. Source: modified from Scheiring (2019, 204).



Requests for adoption by Hungarian oligarchs happened already in the year before the 2010 elections, when it became obvious that Orbán would have a landslide victory. He even announced that he was going to build a single pyramid, which he termed a "central field of force" that would be "capable of defining […] national interest […] without constant debate" for two decades to come.[87] Scheiring adds that major entrepreneurs also sided with Orbán in expectation of rewards, particularly protection from international competition.[88] Since 2010, most of the rival and autonomous oligarchs have surrendered and/or been adopted in the single-pyramid patronal network, whereas the number of oligarchs who support the now opposition MSZP has shrunk significantly. Scheiring reports, "[in] the year of the change of government, the [Fidesz-to-MSZP] ratio was already 28:16, and by early 2011, [Fidesz] superiority continued to grow (30:11). […] In 2018, there were 37 [Fidesz-leaning] billionaires among the 100 richest Hungarians, compared to the 6 with

[87] Orbán, "Megőrizni a létezés magyar minőségét [Preserving the Hungarian quality of existence]."

[88] Scheiring, *Egy demokrácia halála* [How a democracy dies], 218–27.

ties to [MSZP]."[89] It should also be noted that the number of Orbán's oligarchs in 2018 was more than the total number of oligarchs in each year between 2003 and 2009 (and only one less than the total number in 2002).

To sum up, in the ideal typical patronal democracy, an oligarch can remain autonomous from the competing patronal networks. Being embedded into a patronal network has both pros and cons. On the one hand, lucrative economic opportunities, bigger profits if the respective patronal network is the ruling one, and state protection; on the other hand, he must be loyal to the chief patron and be a client of his, that is, recognize that the chief patron can dispose over the oligarch's property to a certain extent. In a patronal autocracy, the chief patron aims at making all the oligarchs his clients in the former sense; in case of adopted oligarchs, this is achieved in voluntary agreement, while in case of surrendered oligarchs, by coercion. And in case of liquidated oligarchs, it is not simply that the chief patron may "ultimately" dispose over the oligarch's property "to a certain extent" but the oligarch is forcibly deprived of his economic assets (as well as political capacities), which go to the possession of the adopted political family.

3.4.1.4. Renegade oligarchs and the voice and exit options in the adopted political family

There is one oligarch type in Table 3.4 we have not defined yet—renegade oligarchs:[90]

- **Renegade oligarch** is a former member of the adopted political family (inner-circle, adopted or patron-bred oligarch) who has decided to betray his network and turn against it. Indeed, he made most of his present wealth with the help of the adopted political family but he starts actively fighting his initial patronal network.

Renegade oligarchs may appear in either patronal democracies or autocracies. Renegades are former inner-circle, adopted and patron-bred oligarchs who become "rivals" (yet we do not extend the definition of rival oligarch to them). A textbook case for this is that of Lajos Simicska in Hungary, who was the strongest inner-circle oligarch of Orbán's adopted political family who turned against his friend and chief patron. In a previous publication, we termed this **a mafia war within the organized upperworld,** which ended with the financial liquidation and marginalization of Simicska.[91]

Those who become renegade oligarchs may have the same kinds of fates as rivals: they can be liquidated or surrendered—in case they lose—or they can win, in which case the system degenerates into a multi-pyramid one. However, this is highly unlikely because the chief patron disposes over the means of public authority and can punish disloyal actors with them. Indeed, **under a regime of competing patronal networks it can still be**

[89] Scheiring, *Egy demokrácia halála* [How a democracy dies], 204–5.

[90] This term is used by Markus for rival oligarchs, but "renegade" precisely implies betrayal, that is, that the person had been a member of the adopted political family before he became its enemy. Markus, "The Atlas That Has Not Shrugged," 107–8.

[91] Magyar, *Post-Communist Mafia State*, 82–88; Rényi, "The Rise and Fall of the Man Who Created Viktor Orbán's System."

an open question as to who is the leader (patron), who depends on whom, who gives orders and who executes them among those with partial political power, on the one hand, and economic power, on the other. In a single-pyramid patronal system, however, the chief patron is evidently the "boss," being able to outlaw his rival by means of the legislature, the tax authorities, the prosecutor's office or the police. The one who can eject the other from the game using state powers is the winner who takes all. Those who argue that in patronal autocracies oligarchs have "captured the state," fail to recognize that the reverse is true: in the tight political venture that is the mafia state, the adopted political family appoints its own oligarchs and gives them power. Some have suggested "the informal submission of private businesses to state interests"—particularly the situation in Russia under Putin—should be conceptualized as "business capture,"[92] but as we explained above it is not "business" or major entrepreneurs but oligarchs who are subjugated, and not to "state interests" but to the chief patron. Therefore, we may apply the term "oligarch capture" instead:

- **Oligarch capture** is a situation when, under the conditions of single-pyramid patronal network, oligarchs lose their autonomy to the chief patron. The oligarch's status and property become conditional upon the chief patron's decision, who can appoint their own oligarchs or dismiss out-of-favor ones. Oligarch capture is a top-down process of subjugation by an informal patronal actor, in contrast to state capture when formal political actors are captured by oligarchs in a bottom-up fashion.

It is obvious that, in cases of oligarch capture, the oligarch cannot blackmail the chief patron. For this classical mafia technique assumes publicity and the institutions of democracy, which can be activated when wrongdoing is unveiled. The indebted politician is blackmailed not with the threat of physical violence, but with that of disclosure. As the tax authorities, the prosecutor's office, the parliament, and so on, belong to the chief patron in the mafia state of the organized upperworld, the chances of an oligarch blackmailing him are rather thin [→ 4.3.5.2].

This leads us to the final analytical points that should be made about oligarchs: their status and options after the single-pyramid network has solidified. Using Hirschman's famous **voice-exit-loyalty triad**, Markus analyzes Russian oligarchs and describes their situation in a patronal autocracy.[93] Obviously, the simplest option for oligarchs is **loyalty**, for that only means they remain inactive in terms of not trying to challenge the chief patron. This way they can minimalize the chance of being deprived of their assets and even enjoy various favors on behalf on the adopted political family. However, as Markus points out, this is not an ideal situation for oligarchs. For they are in a subordinate position with no effective way to keep the chief patron accountable. They are subject to his whim, and that indeed makes business-power relations ultimately unpredictable (see Box 3.4).

Considering ways out of this situation, **exit** seems to be a viable option. Based on Markus,[94] we can identify ideal type strategies along two dimensions: (1) placement of prof-

[92] Yakovlev, "The Evolution of Business."

[93] Markus, "The Atlas That Has Not Shrugged." Also, see Hirschman, *Exit, Voice, and Loyalty*.

[94] Markus, "The Atlas That Has Not Shrugged," 102–6.

it-generating assets and (2) placement of person and family. We can type exit strategies as follows:

- **strategy of personal security**, when the oligarch gets residence permits in foreign countries for himself and/or his family while keeping the profit-generating assets in the country (under the authority of the chief patron);
- **strategy of personal and financial security**, when the oligarch gets residence permits for himself and/or his family and also registers his assets and cash flow abroad (offshore);
- **strategy of leaving**, when the oligarch moves to a foreign country (with his family) and also relocates the physical profit-generating assets abroad, moving to a safe distance from the authority of the chief patron.

In the case of ordinary people, leaving is a strategy that helps the regime's consolidation, for it means the voluntary exile of more restless, anti-regime elements [→ 6.2.2.1]. In the case of oligarchs, however, while the opportunity to leave "may reduce their demand for change," at the same time "capital flight or its implicit threat as such can put pressure on the system by depriving the [regime's] economy of investment, jobs, and tax revenue. In other words, an exit may reduce the oligarchs' explicit demand for better arrangements from the state while simultaneously increasing the oligarchs' implicit leverage to get such arrangements."[95] There are two ways chief patrons can handle such situations: they can try to limit capital flight (a) by formal means, as it happened in Putin's Russia where laws were created to counter such actions,[96] or (b) by informal means, blackmailing or extorting the oligarchs by the means of suspended punishment [→ 6.5]. Indeed, it is more likely that an oligarch who wants to leave the regime will try to strike a deal with the chief patron, who will let him keep enough wealth to live a comfortable life in exchange for handing over most of his (productive) assets to the adopted political family.

Box 3.4. The lack of oligarchic accountability in Russia.

"Russia's super rich may not want institutionalized accountability writ large (competitive and honest elections, plus legislative and judiciary independence). But there is likely to be demand for de facto elite accountability. From the oligarchs' perspective, the latter could theoretically be achieved in several ways, including 1) a relatively impartial elite arbiter [. . .]; 2) an empowered oligarch-controlled parliament [. . .]; 3) Singapore-style authoritarian legality guaranteeing property rights without competitive politics; or 4) powerful associations of large businesses that can check the state [. . .]. The demand for such de facto elite accountability, in whatever form, is rising. The conditional nature of oligarchic ownership in Russia has long been acknowledged, the local joke being that there are no billionaires in Russia, only people working as billionaires. [. . .] A careful observer may note that Putin's group of friends is rather fluid. [. . .] Is there a guarantee that Putin will not 'unfriend' some of them, too? The tide of commercial litigation by the Russian business elites in Western jurisdictions suggests that, for the oligarchs, Putin is not living up to the role of arbiter or enforcer of authoritarian legality. [Many] lawsuits adjudicated abroad nowadays are between Russia-based claimants. In other words, even oligarchs who are comfortable in Putin's Russia are not satisfied with the dispute resolution in their home country."

– Stanislav Markus, "The Atlas That Has Not Shrugged: Why Russia's Oligarchs Are an Unlikely Force for Change," *Dædalus - Journal of the American Academy of Arts & Sciences* 146, no. 2 (2017): 103–4.

Finally, oligarchs may consider **voice**. As Markus explains, in Russia "even when business elites voice their disagreement with the system, they may press the state for de facto accountability at the firm level via stakeholder alliances with labor, the community, or foreign investors. Such alliances serve as ersatz institutions, allowing business owners to protect their

95 Markus, 106. Cf. Yakovlev, "The Evolution of Business," 1048–50.

96 Markus, "The Atlas That Has Not Shrugged," 106–7.

specific firms while avoiding the need for country-level rule of law."[97] This reveals a major difference between liberal democracy and patronal autocracy. **In liberal democracy, entrepreneurial voice can be targeted toward two kinds of actors who may help: (a) the people**, as the entrepreneur demeans the government through the press in an attempt to turn public opinion against it (and thus damaging its popular support), or **(b) the judiciary**, as the entrepreneur brings a lawsuit against the government in an attempt to get legal protection under the normative rule of law. **In a patronal autocracy, however, both of these options are neutralized**: there is a so-called dominated sphere of communication [→ 4.3.1.2] and the judiciary is either not independent or not effective [→ 4.3.5.2]. Therefore, oligarchs have no other option but to try to defend their interests on a more local level—no wonder both loyalty and exit have been more popular alternatives among oligarchs in Russia.[98]

3.4.2. Lobbyist—Corruption Broker—*Tolkach*

Among the many specialized roles fulfilled by economic actors in various regimes, one occupation that shows ideal typical differences between the three polar type regimes is **mediation between the spheres of political and market action**.[99] Even when the spheres of social action are separated that does not mean that they are also isolated from each other. They coexist in the same society, and they do communicate to ensure cooperation in general. Moreover, if the relation between the actors of different spheres goes beyond mere communication and involves the transaction of valued resources as well, the mediators can be recognized as brokers, that is, intermediaries in the process of exchange between actors.[100] Yet "broker" is a general term, whereas the different level of separation of spheres in the polar type regimes gives rise to different ideal types of brokers.

In a liberal democracy, the mediator/broker between economic and political actors is the lobbyist:

- **Lobbyist** is an actor who creates contact between private actors (entrepreneurs) and public actors (politicians) through a legal, regulated and transparent way. His tasks, to which he is legally authorized, are (1) to represent the interests of individual economic actors toward political actors, (2) to communicate pieces of information to facilitate coordination of interests, and (3) to act as a broker in the legal process of exchange of valued resources between economic and political actors.

Lobbyists are typically employed by interest groups for the purpose of interest representation of societal actors, such as major entrepreneurs [→ 4.3.2.3, 5.4.2.3]. Scholars have called

97 Markus, "The Atlas That Has Not Shrugged," 103.

98 Markus, "The Atlas That Has Not Shrugged," 105–10.

99 Indeed, we can observe examples of communal mediating actors as well, often labelled the same way as their economic counterparts. We decided to focus on economic actors because they show the most striking—and, as we will see in Chapter 5, most important—ideal-typical differences between the polar type regimes.

100 Gould and Fernandez, "Structures of Mediation"; Stovel and Shaw, "Brokerage."

attention to the phenomenon of "revolving doors," that is, the movement from government service into the lobbying industry where former political actors can utilize their political connections in the interest representation of big business.[101] However, that politicians may enter the economic sphere only after they have left the political sphere means precisely that the spheres of social action remain separated. There is regulated connection and cooperation between the economic and political spheres, via lobbyists, not a collusion of spheres where active political actors would also become economic actors [→ 5.3].

In a patronal autocracy, the spheres of market and political action are formally separated but informally connected. Thus, mediation/brokerage steps out of legal and transparent channels in order to (a) connect participants of corrupt transactions and/or (b) legitimize illegitimate business deals as a judicial expert. Generally, such actor is called a **corruption broker**:

- **Corruption broker** is an actor who creates contact between private and public actors through illegal and non-transparent means. His tasks, to which he is not legally authorized, are (1) to represent the interests of individual private actors toward public actors, (2) to communicate pieces of information to facilitate coordination of interests, (3) to act as a broker in the illegal process of exchange of valued resources between economic and political actors, and (4) to guarantee the safety of the transaction as well as the protection from (legal) controls.

Corruption brokers appear in various forms in different types of political capitalism, that is, in every case when a transaction is made outside legal and regulated channels [→ 5.3.3.2]. Focusing now on the setting of patronal autocracy, there are two main types of corruption brokers we can distinguish. First, there are the so-called **gatekeepers**, who are corruption brokers within the public administration employed to guarantee the bureaucratic background and protection of illegitimate deals. Gatekeepers include heads of law enforcement bodies, members of tender boards, judges etc. Second, there are the so-called **corruption designers**, who are usually not individual persons but firms, involved in the process of transferring governmental monies into private hands. Corruption designers include law firms, tender writing companies, project management companies etc.[102]

Gatekeepers and corruption designers can also be observed in various regimes. However, they show a number of specificities when operating in a patronal autocracy, where, as we mentioned in Chapter 1, centralized and monopolized forms of corruption appear. First, in the ideal typical case, all mechanisms of control are paralyzed by turning their key figures into gatekeepers, answering to the chief patron. Second, different corruption designer firms are not employed individually by corrupt private actors but they work together, forming a unified machinery with division of labor, as part of the corrupt network of the adopted political family. Third, following the (informal) institutionalization of grand corruption, specialization takes place for the certain phases of corruption design, and each step in a corrupt transaction is covered by a specialized corruption designer firm. Finally, **both oligarchs and poligarchs can have their own corruption brokers**, although it is

[101] Blanes i Vidal, Draca, and Fons-Rosen, "Revolving Door Lobbyists."

[102] Jancsics, "From Local Cliques to Mafia State," 139–42.

typical that the chief patron (usually a poligarch) disposes over the gatekeepers, whereas the oligarchs are in closer connection with the corruption designers.

In a communist dictatorship, the equivalent of the lobbyist of a private enterprise is called the *tolkach* ("pusher" or "expediter") of a state enterprise:[103]

- **Tolkach** is an actor who creates contact between cadres responsible for economic units (state enterprise leaders) and cadres responsible for bureaucratic coordination (central planners and party cadres on higher levels) through an unregulated and non-transparent way. His tasks, to which he is not legally authorized, are (1) to represent the interests of companies toward bureaucratic coordinators and (2) to transact plan bargains, that is, to try to adjust the plan in terms of modifying deadlines or speeding the flow of products toward the firm through aggressive intervention or corruption.

The main difference between the tolkach and the two other types of mediators/brokers is that **the *tolkach* does not work for the private benefit of his employer**. Indeed, a tolkach is employed to help overcome the bottlenecks of the planned economy and to keep the factory operational. Kornai calls the acts of the tolkach a "vestigial form of market transaction:" "[if] a firm is short of a means of production (material, semifinished product, component) it seeks to obtain, it will try bribing the representative of the supplier firm with favors, gifts, or even money. This effort replaces, in a distorted form, what would be in the case of market relations an offer of a higher price, except that the few officials involved in the transaction receive the extra, instead of the owner of the supplier firm."[104] Also, while neither the tolkach nor the corruption broker is legally entrusted to act on behalf of his employer, the tolkach does not act against the express prohibition of the law but rather outside the legal framework (hence his action is "unregulated"). Furthermore, **the corruption broker circumvents legal ways of advocacy whereas the tolkach circumvents the official (nomenklatura) ways**. Indeed, the tolkach does not go through all the degrees of the bureaucratic administration, trying to lobby at the cadre directly above his employer and then move upwards step by step, but goes immediately to the highest office he can. And while the tolkach always acts bottom-up, employed to talk to people in higher offices, a corruption broker can be top-down as well when he is employed by a poligarch to connect him to his clients.

3.4.3. Economic Front Man (Shell Company)

Already the entry of the political front man, it will be recalled, indicated that the transformation of public good to private benefit turns from an occasional deviance into a systemic operation in a patronal autocracy. However, there is an economic variant of the front man as well, also called *стróman* in Hungary (from the German *Strohmann)*.[105] Being in a role

[103] Kornai, *The Socialist System*, 102; Ledeneva, *Russia's Economy of Favours*, 25–27.

[104] Kornai, *The Socialist System*, 102.

[105] In earlier publications, we referred to "front man" as "stooge," but changed it for the sake of clarity.

as deputy for poligarchs, he may even give his name to the ownership of patronal wealth or economic units:

- **Economic front man** is an actor who has formal economic power but cannot use it according to his own will. In other words, he acts in the sphere of market action but he is a client in a patronal network, subordinated to the will of a patron (ultimately the chief patron) who disposes over the front man's formal authorization.

Neither liberal democracies nor communist dictatorships necessitate front men. For in those regimes, everyone is simply who they are, be it as defined by the rule of law or by compulsion. In other words, in those regimes the nature of power and its legitimation coincide, and this was typical in the various historical predecessors of patronal systems as well. After all, the feudal landlord did not hang upon the acknowledgment of his vassals, and he could as a matter of course hold his goods and estate publicly to be his own. In the communist regimes, people in the positions defined by the nomenklatura were exactly what the official, formal position said. Neither one nor the other system had any need for the presence of front men in order to bridge a gap between the formal position and the actual competences. In patronal autocracies, however, where the formal institutional setup is used by the adopted political family as a façade, front men are required both in the economic as well as the political sphere [→ 3.3.3].

The companies formally led by economic front men can either be called "economic front men" themselves, or we can introduce the colloquial term shell company for them:[106]

- **Shell company** is an economic unit where the *de jure* owner provides anonymity for the *de facto* owner while guaranteeing control over the shell company and its resources.

In this broader sense, shell companies can be led by both entrepreneurs and economic front men for a variety of reasons from money-laundering through tax evasion to hiding the actual wealth and economic power of a political actor (as in case of a patronal autocracy).[107] While the literature on corrupt shell companies is limited, corruption researcher Dávid Jancsics tackles this research gap by offering a typology of shell companies in post-communist Hungary.[108] Using his terminology, we may differentiate two subtypes: **live shells** and **empty shells**. In a patronal autocracy, both types of shells are created on behalf of the chief patron or one of his sub-patrons and they are used to reap the benefits which are informally and illegally directed toward the shell company. As Jancsics writes, "the state distributes valuable resources, licenses, concessions, or other monopolistic market positions to this shell company that virtually guarantee profit making."[109] However, while live shells are just like any normal economic unit (company), with the sole difference that

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[106] In Russia, shell firms *(levye firmy)* are sometimes called scam firms *(pustyshki)* and monkey firms *(martyshki)* as well. Ledeneva, *How Russia Really Works*, 148.

[107] Cooley, Heathershaw, and Sharman, "Laundering Cash, Whitewashing Reputations."

[108] Jancsics, "Offshoring at Home?"

[109] Jancsics, "Offshoring at Home?" 12.

they are informally owned and fostered by a patron, empty shells carry out no economic activity. Indeed, empty shells are created out of mere technicality, to have a formal entity that can "legally" receive the state benefits, such as winning public procurements.[110] The shells companies of economic front men have an incredibly fast ramp-up phase and become "national champions" in spite of the fact that they were established immediately prior to their first state procurement order being announced, or even after that. They are able to win huge state contracts without appropriate references or base capital, and secure loans if necessary—under rather favorable terms—without any capital cover.

As for the **subtypes of economic front men** themselves, based on an investigative journalist's analysis of economic front men in the post-communist region, we may distinguish three:[111]

- **Low-profile front man** is an economic front man who has no personal wealth or financial expertise, and he can offer only his identity (name etc.) to the patron. His main function is formally to run empty shells ("phantomization"), thus there may be large sums to his name but only for a limited amount of time. Ideally, he has no other role in the adopted political family whatsoever.

- **Mid-profile front man** is an economic front man who has some personal wealth and/or financial expertise, and he can offer these as well as his identity (name etc.) to his patron. His main function is accumulation of wealth for his patron, thus there may be large sums to his name and he is employed for a longer period of time. He may also be a corruption broker or an oligarch.

- **High-profile front man** is an economic front man who has considerable personal wealth and/or financial expertise, and he can offer these as well as his identity (name etc.) to his patron. His main functions are (1) accumulation of wealth and (2) operation of live shells, thus there may be large sums as well as companies on his name and he is employed for a longer period of time (often lifetime). He is almost always an oligarch as well.

Related to these definitions, two aspects should be noted. First, there is the aspect of **guarantees**, that is, the problem of enforcement of informal contracts between the front man and his patron.[112] In the case of low-profile front men, this is rarely a problem; sometimes the low-profile front man does not even know that his identity is being used, that is, the patron only steals the identity of someone else to use it for reasons unbeknownst to the front man.[113] In the case of mid- and high-profile front men, however, there is considerable risk, because they formally keep the wealth of their patron and they can theoretically deny his access to it, taking advantage of the legal situation. Patrons can employ the—simple but more risky—solution of verbal agreement and reputational enforcement or the—less risky

110 Jancsics uses a different definition. See Jancsics, 14–16.

111 Brückner, "A strómanlét elviselhető könnyűsége." [The bearable lightness of being a front man].

112 Cf. Lambsdorff, *The Institutional Economics of Corruption and Reform*.

113 For an example (of low-profile front man Béla Orgován), see Balogh, "The Quaestor Scandal."

but more complicated—solution of a legal arrangement that limits the possibilities of the front man.[114] The most effective solution, however, is the one through politically selective law enforcement; that criminal persecution against front men starts if and only if they betray their patron. This solution, however, is available only to those actors who have power over law enforcement bodies.

The last point leads us to the second aspect to be dealt with, namely **who can have what kind of front men**. In general, both oligarchs and poligarchs can have economic front men, representing them in the economic sphere. They can be either "friends of the family," insignificant businessmen, or even oligarchs, subordinated either to a more significant oligarch or to a poligarch. In particular, **the chief patron** of a single-pyramid patronal network **makes all the oligarchs his clients, which means that they indeed become his high-profile front men**. True, they are not entirely deprived of their autonomy, and oligarchs may be classified by the extent of their "front-manness" (for example, patron-bred oligarchs are more frontman-like than adopted or inner-circle ones, for the latter are not as dependent on the chief patron as the former). But the chief patron as *pater familias* can dispose over their property at his whim, meaning they are not private property owners in the Western sense of the term [→ 5.5.3.4–5]. And while the chief patron can in every case mobilize law enforcement against disloyal front men (oligarchs etc.), the oligarchs need further guarantees for they cannot be sure, not even if they are inner-circle oligarchs, that the chief patron will help them resolve their disputes.

3.5. Communal Actors in the Three Polar Type Regimes

In this part, we span conceptual spaces (define 3–3 corresponding ideal types) for **actors of the sphere of communal action** in the three polar type regimes. The actors were chosen (1) on the basis of their importance for the functioning of each regime type and (2) only if ideal typical differences could be noticed between them in the three polar type regimes. In other words, although some of the communal sphere's actors we omit (such as artists) might be important in one or more regimes, we decided not to include them if the actors fulfilling their roles in different regime types were essentially the same, that is, if they could not be distinguished ideal typically.

Naturally, as the spheres of social action are fully separated only in the ideal typical liberal democracy, some of the following actors (the ones belonging to patronal autocracies and communist dictatorships) are also part of the market and political spheres. Yet, as we want to structure our discussion of actors, we decided to separate them as they are separated in the mainstream literature. This way, it will also be seen why the words—indeed, formal titles—which are used in the language of liberal democracy to denote these actors are inappropriate for the corresponding actors in patronal regimes where informal institutions have supremacy.

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[114] Brückner, "A strómanlét elviselhető könnyűsége."

3.5.1. Citizen—Servant (Client)—Subject

The fundamental actors in the sphere of communal action are **the people** living under the authority of a certain state. In general, people **in a liberal democracy** can be conceptualized as citizens:

- **Citizen** is an actor who lives under the authority of a constitutional state, which creates the laws he is subject to. He is granted basic rights and liberties, and he can exercise them free from direct interference (oppression) by the ruling elite.

In our understanding, the meaning of "citizen" harmonizes with the French word "citoyen" and the English word "freeman," that is, people enjoying civil or political liberty.[115] As for "basic rights and liberties," they may be listed, for the purposes of our definition, as follows: the right to vote and to hold public office, freedom of speech and assembly, liberty of conscience and freedom of thought, freedom from physical assault and dismemberment, and the right to hold personal (private) property.[116] The state interferes with the exercise of these liberties only in case of conflicting rights, that is, when the exercise of one citizen's rights may violate the rights of another citizen. In other cases, the state stays neutral, maintaining equality before the law for each and every member of the community.[117]

In a patronal autocracy, the people in general can instead be described as servants:

- **Servant** is an actor who lives under the authority of a mafia state, which creates the laws he is subject to. He is formally granted basic rights and liberties, but he cannot exercise them free from direct interference (oppression) by the ruling elite.

We can say **client** instead of servant as well, expressing that the people in an ideal typical patronal autocracy are ultimately subordinated to the chief patron in the single-pyramid patronal network. *De jure*, a servant is granted all the rights that a citizen has. *De facto*, he is hindered in exercising them by the adopted political family, using a wide variety of methods from politically selective law enforcement to existential threats. It must be seen, however, that **the mafia state is not dogmatic**: just as it gives up the normative law enforcement of liberal democracies for discretional "justice-making" by the chief patron, it decides case-by-case about the oppression of individuals as well. Indeed, the situation of servants has been indirectly touched upon in a previous part, discussing neutralization of political opposition in a patronal autocracy. The adopted political family **cares only about effective opposition, that is, what can be a threat to its power**. If the people exercise their basic rights and liberties in a way that they do not pose serious threat to the regime, they are left alone.[118]

In a communist dictatorship, the people are no more than the subjects of the nomenklatura:

115 "Freeman."

116 Rawls, *A Theory of Justice*, 53. Cf. "Universal Declaration of Human Rights."

117 Cf. Kis, "State Neutrality."

118 We will come back to the status of freedom of speech (media) in Chapter 4.

- **Subject** is an actor who lives under the authority of a party state, which creates the laws he is subject to. He is not granted basic rights and liberties, and if he tries to exercise any of them, he is persecuted by the ruling elite (via the state's power machinery).

3.5.2. NGO—GONGO—TRANSBO

The main collective actors of the communal sphere are the various **non-profit organizations**, which are in contact with the people and help them achieve various social objectives. **In a liberal democracy**, such organizations are the NGOs:[119]

- **NGO** (non-governmental organization) is an organized group of actors embedded in the sphere of communal action and functioning *de jure* and *de facto* independently from the state. It is a bottom-up organization, which means that (1) it can be founded by any citizen or groups of citizens and (2) it aims at promoting the interests of the citizen vis-à-vis the ruling elite.

In patronal autocracy, the corresponding organizations are the GONGOs:

- **GONGO** (government-organized NGO) is an organized group of actors embedded in the sphere of communal action and functioning *de jure* independently but *de facto* dependently on the state. It is a top-down organization, which means that (1) it can be founded by authorized members of the ruling elite and (2) it aims at promoting the interests of the ruling elite vis-à-vis the people (servants).

"GONGO" attempts to capture a *contradictio in adjecto*: that these organizations formally position themselves as NGOs, whereas they are actually state organizations in the sense that they are founded and fostered (informally) by the ruling elite and they serve the existing power.[120] As mafia states are pragmatic and do not ban (all) opposition groups, NGOs which do not challenge the power and applied ideology of the ruling elite can exist in patronal autocracies. The NGOs that do pose a challenge, especially so-called anti-corruption watchdogs, are subject to neutralization by the authorities [→ 4.4.3.2], whereas GONGOs enjoy privileged status in terms of regulations and funding.

In communist dictatorship, the main collective actors in the communal sphere are the transmission-belt organizations of the party state which may be dubbed by the acronym TRANSBO:

- **TRANSBO** (transmission-belt organization) is an organized group of actors embedded in the sphere of communal action and functioning *de jure* and *de facto* dependently on the state. It is a top-down organization, which means that (1) it can

[119] For a meta-analysis, see Haque, "Non-Governmental Organizations." Some real life NGOs are for-profit organizations. However we can say, defining ideal types, that an NGO is ideal typically non-profit.

[120] Naím, "Missing Links."

> be founded by authorized members of the ruling elite and (2) it aims at promoting the interests of the ruling elite vis-à-vis the subjects.

"Transmission belt" entered the terminology of communism after Lenin used it in 1922, defining trade union as "the transmission belt from the Communist Party to the masses."[121] Indeed, all such organizations, including labor unions, popular front-like organizations, communist youth organizations, cultural associations, women's organization, and so on were TRANSBOs, founded by the state party to transmit its will in general and proposed communal lifestyles in particular to the dictatorships' subjects. The leaders of TRANSBOs are appointed by (the authorization of) the party leadership and they are also members of the nomenklatura ideal typically.

In Part 3.3.8, it will be recalled, we used the term "transmission belt" with respect to the ruling party in a patronal autocracy. Indeed, **the adopted political family has various transmission belts in the communal sphere of patronal autocracies as well**. Some of these organizations, like the transmission-belt party, cannot be confined to any of the above-defined acronyms but represent independent concepts in other spheres of social action. Nevertheless, there are various state organizations (cultural, scientific, sports etc.) which fit the definition of TRANSBO. Formally, these are autonomous organizations, but informally they are dominated by the adopted political family. Such organizations may have **three main functions**, appearing with different emphases in different cases: (1) they are **corrupt pay-offices**, that is, places through which the adopted political family can divert public funds to private hands in general and put its beneficiaries on sinecure in particular; (2) they are **places of recruitment**, that is, a formal organization where those who wish to be adopted to the political family can express this by joining; and (3) they are **bastions of symbolic politics**, that is, organizations which supply and publicly support the ideological legitimation of the regime and broadcast the (typically conservative) cultural/lifestyle norms of the patriarchal family.[122]

3.5.3. Independent Church—Client Church—Repressed Church

3.5.3.1. General definitions

Finally, among collective actors fulfilling a special role—and in the post-communist region, a historically important one—in the sphere of communal action we find the **churches**. We narrow the general definition of this term to **the institutions which represent the believers**, although it is often used to denominate both the institutions and the believers themselves. Furthermore, at this point, we do not distinguish between the churches of different religions, but rather focus on the ideal typical differences in the status of the church in the three polar type regimes.

In a liberal democracy, churches are independent:

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[121] Lenin, *Collected Works Vol. 33*, 192.

[122] Bozóki, "Nationalism and Hegemony." We will return to the role of ideology in Chapter 6 [→ 6.4].

- **Independent church** is a religious organization which is independent in its workings (communication, internal rules, ceremonies etc.) from the state. It is recognized by the state on a normative basis, and its primary function is to perform religious services to the believers. The state with respect to the independent church can be labelled a **secular state** for it aims at providing a neutral framework for the coexistence of religions.

The independence of churches stems from the **separation** of the spheres of social action in general and the separation of state and the church in particular.[123] True, independent churches ideal typically sustain themselves from state subsidies and/or enjoy (partial) tax exemption. But these privileges are granted to them on a normative basis, should they meet certain pre-defined criteria required for the state recognition of a religious group (denomination). On the other hand, **in a patronal autocracy** where there is a **collusion** of state and the church, funding as well as state recognition of denominations is placed on a discretional basis, making them subject to bargain and loyalty toward the chief patron. Therefore, churches get into the position of a client:

- **Client church** is a religious organization which is dependent in its workings (communication, internal rules, ceremonies etc.) on the state. It is recognized by the state on a discretional basis, and its primary function is campaigning for the ruling elite and offer ideological (religious) cover for its actions. The state with respect to the client church can be labelled a **hypocrite state** for it uses religion as a political tool.

The religious commitment of the adopted political family is just as pragmatic as its commitment to any ideology [→ 6.4.3]. Its function is, first and foremost, to transfer the legitimation of power from an accountable, democratic base to an unaccountable, autocratic one, and ideologize the deeds of the chief patron as guided by providence. Second, it provides an unfalsifiable language for the ritualization of public affairs. Finally, religion ensures that the power of the adopted political family is embedded in the sphere of communal action, even in politically less accessible regions and social groups. In short, the link between the church and the mafia state is businesslike, in a very secular way.[124]

Finally, **in a communist dictatorship**, we can speak about repressed church:

- **Repressed church** is a religious organization which is either banned or hindered in its workings (communication, internal rules, ceremonies etc.) by the state. It is not recognized by the state, meaning it is deprived of open (legal) communal functions. The state with respect to the repressed church can be labelled an **anti-religious state** for it persecutes religious groups and churches.

Under communism, churches are not recognized as serving any useful communal function. On the contrary, religion is contrasted with "scientific Marxism," which—in communist propaganda—offers "rationality" instead of "superstition," "full control of destiny" instead

[123] For a meta-analysis, see Dreisbach, "The Meaning of the Separation of Church and State."

[124] Gábor, "The Land of an Appropriated God."

of "submission to divine will," and "wealth and prosperity" instead of the poverty which followed "all those years of praying in the past."[125] Following this, the party state destroys religious buildings, confiscates the property of the church, and deprives churches of their legal status.[126] Churches which are not entirely banned are subjugated to the nomenklatura, appointing its local leaders (just as the leaders of TRANSBOs), and/or they are sent undercover agents from the party's secret service.

3.5.3.2. Regional differences in state-church relations in the post-communist region

As we explained in Chapter 1, the church was a defining element of the historical regions of the Soviet empire. It was especially important in the Islamic region, which had been characterized by the identity of church and state before the communist rule. In communist times, churches were—in line with the ideal typical description—disrupted and crowded out from the merger of spheres of social action, which was continued in a bureaucratized form under communism. After the collapse of the Soviet Union, **there has been a revival of Islam in the sphere of communal action in post-Soviet Central Asia, while in the sphere of political action the local patronal autocracies crack down on religion-based movements seeking political power**, following the numerous conflicts with Islamic extremists.[127]

In the Eastern Orthodox historical region, there is a tradition of the symbiosis of the state and the church with the head of secular power supervising the head of religious power.[128] If we look at the case of **Russia**, religion has been resurgent since the regime change, with over a hundred Orthodox brotherhoods founded by 2010.[129] Yet, contrary to popular belief, **the church has not been a system-defining institution but rather a system-covering ideological robe** of the Russian regime. As scholars have shown, the influence of Orthodox Church in the sphere of political action has been relatively weak in Russia since the collapse of the Soviet Union,[130] whereas it has been rewired in the sphere of communal action and exercised great influence there.[131] And by the peak of the Putin era—that is, in a full-grown patronal autocracy—the ideal typical collusion of state and church to mutual benefit can be observed. As Ben Judah writes in his comprehensive analysis of Putin's regime, "[the Orthodox Church's] budget is now a secret, but [its] fortune is estimated at being several billion dollars at least. [Its] property portfolio has exploded, with a 2010 law pledging to restore to the Church all lands expropriated during Lenin's revolution. This could make it Russia's single largest landowner. [On the other hand], the Patriarch [lives] in the Kremlin, blessing the President after each inauguration, regularly broadcasting alongside Putin and his ministers, with his priests integrated into the army and the religion de

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125 Dragadze, "The Domestication of Religion under Soviet Communism," 145.

126 Dragadze, "The Domestication of Religion under Soviet Communism."

127 Khalid, *Islam after Communism*.

128 Knippenberg, "The Political Geography of Religion."

129 Knox, *Russian Society and the Orthodox Church*.

130 Papkova, *The Orthodox Church and Russian Politics*.

131 Judah, *Fragile Empire*, 150–54.

facto that of party and state."[132] No wonder in late 2018 **Ukraine**, which is on the Eastern side of the border of the Eastern Orthodox region and Western Christian one, **decided to create a new church independent from Russia's influence** bringing a split in religious power following years of confrontation between the two secular powers.[133]

Finally, we may turn to **the Western Christian historical region**. The collusion of state and church in **Hungary**, which is the only patronal autocracy in the region, is unprecedented in the sense that church and state had been separated before the rise of communism. Soon after the regime change, the collusion of the main churches with the political sphere became apparent: at the 1998 national elections, the Catholic and Calvinist churches sponsored Fidesz's otherwise lacking organizational background, since it had rhetorically returned to the Christian fold. Not only did this spare Fidesz much on campaign expenses, but also meant nationwide outreach and swayed the type of social groups that made their electoral decisions not on the basis of ties of faith.[134] After 2010 and the establishment of a single-pyramid patronal network, preference has been given to church schools at the pivotal elementary school stage (1) to draw the channels of social mobility under political control and (2) for the reasons of ideological indoctrination and discouraging autonomous thinking.[135] Being co-opted by the adopted political family, Hungarian church leaders have tended to orient their actions to follow Orbán rather than following the head of the Church. A particular example of this is the Church leaders' opposition to the pope's stance for migrants during the migration crisis, when Fidesz also had an extremely strong anti-migrant rhetoric.[136]

Hungary contrasts starkly with another country in the region, namely **Poland**. Admittedly, this is not obvious if we consider that Kaczyński and his party Law and Justice (PiS) represent a case of collusion of state and church. Yet a closer comparison reveals the important differences between the two regimes.[137] Having had a long and enduring role in the life of the Polish state and society, **the Church is a public-policy ally of PiS**. According to expert Simona Guerra, the Catholic Church and PiS are in a mutually beneficial alliance, whereby the former grants legitimacy to the latter and its **"Christian social" program**. This involves a very strict pro-life abortion regulation, as well as privileges in education and the promotion of religion in everyday life.[138] Practically, the Church in Poland acts like an interest group that is particularly influential in both politics and society [→ 4.3.2.3]. In contrast, **the Church in today's Hungary is a patronal-policy ally of Orbán**, a link that is businesslike in a very secular way. True, the Church enjoys a privileged status in education—just like in Poland—and Orbán frequently uses religious panels in his communication. But he also utilizes pagan and other elements that contradict Christianity [→ 6.4.2.2],[139] and the Church is limited to education—unlike in Poland. Indeed, besides

132 Judah, *Fragile Empire,* 151.

133 Talmazan, "Christianity Faces One of Its Biggest Splits in Centuries This Weekend."

134 Enyedi, "Religious and Clerical Polarisation in Hungary."

135 Andor, "Restoring Servility in the Educational Policy," 530–35.

136 Balogh, "They Don't See Eye to Eye."

137 For a more detailed comparison, see Magyar, "Parallel System Narratives."

138 Guerra, "Eurosceptic Allies or Euroenthusiast Friends?"

139 Ádám and Bozóki, "State and Faith."

education, other state departments and policies in Hungary follow interests that often contradict any religious teaching or the interests of the Church in general [→ 6.4.1.3]. Considering all state action, Hungarian policy-making is just as eclectic as Orbán's ideological stance—and for the same reason. Namely, he selects ideologies in communication as well as policy by what we will call "functionality-coherence," meaning if the particular ideologies help him fulfill the twin goals of power concentration and personal-wealth accumulation [→ 6.4.1]. This is in **sharp contrast to Kaczyński, who is motivated by power and ideology**: the concentration of power goes hand in hand with the goal of achieving a hegemony of the "Christian-nationalist" value system. The Polish regime is more driven by ideology, and its occasional inconsistencies do not mean a multitude of 180-degree turns, as in the case of Orbán. As conceived by Kaczyński, the state and the Catholic Church operate closely entwined (as he put it, "Christianity is part of our national identity, the Church was and is the preacher and holder of the only commonly held system of values in Poland").[140] In the end, what distinguishes church-state relations in Poland and Hungary is what fundamentally distinguishes their regimes: **Kaczyński is an ideology-driven populist, while Orbán is an ideology-applying populist** [→ 6.4].

3.6. A Ruling Elite of Colluding Spheres: The Adopted Political Family

Having finished the enumeration of individual and collective actors in the three polar type regimes, we next elaborate on **the adopted political family, a ruling elite that combines political, economic and communal actors and relations** [→ 2.2.2]. While the adopted political family is the only ruling elite we devote a separate part to, given it is one of our central conceptual innovations for the study of post-communist regimes, we will start with an explanation of why the adopted political family is different from other elites. Therefore, other ruling elites—including the nomenklatura, feudal elites and the general notion of "ruling class"—will be described, too, in an attempt to differentiate them from the adopted political family. After defining the adopted political family as a *sui generis* concept, we move on to describing its anthropological character, that is, the internal relations and culture that characterize the ideal typical leaders of patronal autocracies.

3.6.1. What the Adopted Political Family Is and Is Not

When it comes to the conceptualization of ruling elites in the post-communist region, there have been two different approaches in the literature. First, there is the approach we subscribe to, which understands such ruling elites as *sui generis*[141] types. Examples include

140 Schmitz, "As an Election Nears in Poland, Church and State Are a Popular Combination."

141 We use "sui generis" in the sense that the adopted political family is a unique, new phenomenon in the region, contrasting it to the sociological and historical categories described below. Yet one may find the

Janine R. Wedel and Olga Kryshtanovskaya, both of whom employ the term "clan," which we consider in the next part [→ 3.6.2.1]. But there is another, seemingly more popular approach, which holds that post-communist ruling elites can be properly described as subtypes, diminished or augmented, of preexisting ideal types or historical ruling elites. For the former, one can think of expressions such as "the new ruling class;" for the latter, both pre-communist and communist times are taken as basis, yielding concepts such as the "neo-nomenklatura."[142]

The reason we reject the second way is that we believe the adopted political family is more different from these types than it is similar to them. To substantiate our point, we explain in more detail why **the adopted political family is not (1) a class, (2) a feudal order, nor (3) a nomenklatura**. As we show, there is always a single aspect these ruling elites are similar to the adopted political family—this similarity is the reason they are chosen by scholars as root concepts. But in most of the other aspects, including several ones that are constitutive to the operation and character of adopted political families, we can find no similarity at all.

3.6.1.1. Why the adopted political family is not a class

Starting with the term "class," we may turn to the Marxian tradition or to Weber's class definition from his classic study *Class, Status, Party* (see Box 3.5).[143] In both traditions, the most important characteristic feature of a class is that it is a fundamentally economic phenomenon,[144] and both the community of interests within groups and the difference of interest between groups are dynamized by the division of labor and the capitalist mode of production.[145] This serves as the basis for choosing class as a root concept, reflecting on the exceptional economic status of the members of the adopted political family. However, the patronal network in a post-communist single-pyramid system **cannot be characterized as a class, because the adopted political family:**

- **is not a fundamentally economic phenomenon.** Hale points this out early on, writing that patronal politics "refers to politics in societies where individuals organize their political and economic pursuits primarily around the personalized exchange of concrete rewards and punishments through chains of actual acquaintance, and not primarily around [...] categorizations like economic class."[146] Indeed, patronalism is a product of culture and political ambition [→ 1.5.1], whereas the primary engine of economic and social inequality in favor of the patronal rul-

ideal type of "adopted political family" useful to capture networks that combined formal positions and informal elements in other regions and eras. The network of Cosimo de' Medici in Renaissance Florence is a case in point (although it was not criminal). See Padgett and Ansell, "Robust Action and the Rise of the Medici, 1400–1434."

142 Petrov, "Putin's Neo-Nomenklatura System and Its Evolution."

143 Weber, "Class, Status, Party." Naturally, there exist many different approaches to classes. For an overview, see Wright, *Approaches to Class Analysis*.

144 Pakulski and Waters, "The Reshaping and Dissolution of Social Class in Advanced Society."

145 Wright, "Understanding Class."

146 Hale, *Patronal Politics*, 9–10.

Box 3.5. Max Weber on the notion of class.

"We may speak of a 'class' when (1) a number of people have in common a specific casual component of their life chances, in so far as (2) this component is represented exclusively by economic interests in the possession of goods and opportunities for income, and (3) is represented under the conditions of the commodity or labor markets. [. . .] 'Property' and 'lack of property' are [. . .] the basic categories of all class situations. [. . .] Within these categories [. . .], class situations are further differentiated: on the one hand, according to the kind of property that is usable for returns; and, on the other hand, according to the kind of services that can be offered in the market. [. . .] But always [. . .] the kind of chance in the market is the decisive moment which presents a common condition for the individual's fate. 'Class situation' is, in this sense, ultimately 'market situation.' The effect of naked possession per se [. . .] is only a forerunner of real 'class' formation. [. . .] [T]he factor that creates 'class' is unambiguously economic interest."

– Max Weber, "Class, Status, Party," in *From Max Weber: Essays in Sociology*, ed. Hans Gerth and C. Wright Mills (London: Routledge, 1991), 181–83.

ing elite is discretional state intervention [→ 5.4]. In sharp contrast, a class comes about as a result of capitalism, or impersonal market forces (hence it is a fundamentally economic phenomenon). True, as some class theorists point out, the state can become a means for the capitalist class to enhance its elite position.[147] While in a liberal democracy such class analysis is valid [→ 5.3.1], in a patronal autocracy it is not the capitalist class or market-driven entrepreneurs who use the state. It is the other way around: it is a political venture that is turned into a business venture, and the chief patron disposes over the state and uses its means to reward and punish, as well as to subjugate the oligarchs in a top-down fashion [→ 3.4.1.3–4, 5.3.2.3]. Indeed, the adopted political family is not caused by, but it is the cause of, the patterns of social inequality, association, and distance. Emerging patterns of disparity in wealth follow from the activity of a political-economic group—the adopted political family and its beneficiaries—vis-à-vis the other members of the society [→ 6.2.2.1];

- **subjugates economic actors with similar class status as well, on a political (patronal) basis.** The chief patron regularly attacks wealthy capitalists, that is, people who have a similar class status in the sense that they have just as much productive property as the adopted political family [→ 5.5.3]. This indicates political, not economic, cleavages between elite groups: the targets of the adopted political family include those with no patronal allegiance, that is, who are out-of-circle or disloyal [→ 5.5.4].At the same time, the oligarchs and front men of the adopted family are not "capitalists" as they cannot use their capital without the chief patron's permission [→ 5.5.3.4].[148] The dynamics of a relationship between political and economic actors is not explained by the market or the division of labor but personal factors of patronalism;
- **the cohesion thereof is based not on class consciousness or identity but on personal loyalty**. As Pakulski and Waters explain, in class theory "[class] membership is also causally connected to consciousness, identity, and action outside the arena of economic production. It affects political preferences, lifestyle choices […], patterns of marriage, occupational inheritance […], and so on."[149] In turn, the adopted

[147] Domhoff, *Who Rules America?* Also, see Scheiring, *Egy demokrácia halála* [How a democracy dies], 79–85.

[148] Cf. Scheiring, *Egy demokrácia halála* [How a democracy dies], 203–10. Class approach becomes even more confusing in patronal autocracies dependent on foreign direct investment (FDI), where foreign businesses have greater weight in the economy [→ 7.4.5]. For in such regimes foreign economic actors form a business group, co-opted for the purpose of the regime's stability, while domestic oligarchs and economic front men are subordinated in an informal patronal network [→ 5.4.2.3].

[149] Pakulski and Waters, "The Reshaping and Dissolution of Social Class in Advanced Society," 670.

political family is characterized by the cultural patterns of patriarchal families, especially patriarchal domination by the chief patron. Meeting the criterion of personal loyalty (as well as the ability to understand and comply with informal orders),[150] members of the family can be rather heterogeneous in terms of culture and lifestyle, causally unrelated to their (informal) status within the adopted political family;

- **is characterized by vertical, hierarchic connections between its members instead of horizontal relations**. It follows from both Marxian and Weberian class analysis that power inequalities exist between classes and not within them. Indeed, a class is ideal typically composed of people who may only be horizontally related, featuring no chains of subordination between class members (it is only when these people enter a formal organization, such as a party, when vertical relations appear).[151] However, as we explained in Chapter 2, the adopted political family is a patronal network, featuring (informal) patron-client chains of command;
- **creates a society where class-based, horizontal status organizations for collective bargaining are disrupted**. In a class society, the interests of each homogeneous class is aggregated and represented in civilized inter-class relations by some advocacy body (such as a trade union). The adopted political family has no such institution, let alone a formal one, for the members' interests are not treated as equal. The institutions of collective bargaining of other social groups are disrupted and, in place of a class society, a so-called clientage society takes shape [→ 6.2] where it is more revealing to analyze social status from the perspective of dependence rather than the relation to productive property;
- **co-opts and subordinates other social groups instead of struggling against them**. The idea that classes have opposing interests and that they struggle against each other appears in Marxian theory as a necessity, whereas Weber argues it may or may not come about, depending on ideological factors.[152] However, "class struggle" could only be applied to patronal autocracies with serious conceptual stretching, for the development of a single-pyramid patronal network includes the co-optation and subordination of other social groups that eliminates the possibility of struggle [→ 6.2.2]. This state of affairs is considerably different from a "class compromise" as well,[153] for here a non-class (non-economy founded patronal) entity makes others dependent on its rule;
- **does not link people of similar economic status within a capitalist society of legal equality.** Since class is a fundamentally economic phenomenon it follows that it is also a market phenomenon, where differences in class mean inequalities with respect to property (especially productive property). However, market inequality

[150] Ledeneva, *Can Russia Modernise?*, 95.

[151] See the famous "iron law of oligarchy" in Michels, "The Oligarchical Tendencies in Working Class Organizations."

[152] Bendix, "Inequality and Social Structure."

[153] Korpi, *The Democratic Class Struggle*.

does not imply inequality with respect to the law [→ 4.3.5.1]. On the contrary, it is asserted that class relations exist within a capitalist system of people in homogeneous legal status, for otherwise it would be politics that defined class inequalities and not the economy.[154] In turn, the adopted political family is a phenomenon of colluding spheres of social action, and the wealth of its members stems from an instrumentalized legal system, under which the normative status of legal equality is undermined by discretional state intervention and laws arbitrarily tailored to individuals and businesses [→ 5.4]. The classes in capitalist societies come by their social status through competition, and not through special laws and state coercion [→ 4.3.4–5].

3.6.1.2. Why the adopted political family is not a feudal elite

Turning to **historical analogies**, the basis for choosing **feudal elites** or orders as a root concept is patronalism or vassalage, that is, "permanent subordinate service to a single lord."[155] In feudal times, such "master-slave" relations typically existed between the king (landlord etc.) and his subjects, while nepotism, the importance of the court and the centrality of personal power in the ruling hierarchy are further elements the feudal analogy often builds upon.[156] However, rights and obligations in the feudal rank order were formalized in law, like in the case of pre-communist Russia (see Box 3.6), which feudal analogies regarding the post-communist region primarily focus on.[157] Accordingly, the patronal network in a post-communist single-pyramid system **does not resemble the service gentry or feudal order, because in the adopted political family:**

- **there is no corporate-type organization, no rank order-type separate positions in relation to the chief patron, no corporate self-consciousness**. While informal personal contacts are of paramount importance in both types of ruling elites, in feudalism these informal contacts were situated within, and primarily made possible by, "a formalized, hierarchical set of relationships."[158] In contrast, the adopted political family is an informal organization, where the formal hierarchy of the actors is secondary to their informal hierarchy [→ 2.2.2.2]. Indeed, the adopted political family has no formal structure or membership, whereby there can be no corporate-type organization and rank order-type separate positions in relation to the chief patron. Furthermore, there is no such corporate self-consciousness as nobles or priests had in feudal times, for a member of the adopted political family can occupy a wide variety of different (formal) social positions at the same time;

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154 Some authors interpret state-induced inequalities as class relations, which we regard as conceptual stretching. See Hoppe, "Marxist and Austrian Class Analysis."

155 Hosking, "Patronage and the Russian State," 305.

156 Török, "A tüntetésektől nem lesz vége Orbán királyságának, de fordulat jöhet" [The protests won't end Orbán's kingdom, but changes may come].

157 Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*.

158 Hosking, "Patronage and the Russian State," 302.

- **the client does not have the legal status of a vassal, only the vassal's social position**. In feudal times, while the vassal was entitled to his property on the basis of his status, the lord could also take that property from him rightfully. The system was legitimately built on this, and so the legal status and social position of the vassal coincide. However, it follows the previous point that subordination of clients by patrons does not take a formal form either, although it is enforced through the means of public authority by the adopted political family. Thus, the social position of vassals is created *en masse* while equal rights are not *de jure* eliminated in a patronal autocracy;
- **there is no "contractual" relation to the chief patron**. The feudal orders stood in some sort of legitimate contractual relationship with their master (the monarch), with rights and obligations limiting both the nobility and the monarch itself. In contrast, the adopted political family not only lacks a formal organization and set of binding rules, but the chief patron, being the patriarchal head of the family, has ultimate authority over status within the single-pyramid network as well. As illustrated by the fate of Paul I in Imperial Russia (see Box 3.6), this was very much not the case in feudal times, where the orders insisted upon, and were ready to protect, their own legally granted rights;
- **power is being exercised in illegal ways, which means systemic compromising that puts an extra layer of obedience on the network's members toward the chief patron.** While people using the feudal analogy trust it brings focus to the regime's central element (i.e., the patron-client relationship), disregarding the informal nature of the adopted political family means they lose sight of another important element that determines the ruling elite's dynamics. A reason for the chief patron's ultimate authority over status, as opposed to the formally constrained authority of a king, is that the chief patron can blackmail his clients, threatening them to persecute the crimes they have committed [→ 4.3.5.2].[159] Such crimes as well as the chief patron's ability to blackmail exist precisely because: (1) the workings of the informal network do not coincide with formal laws, which necessarily results in constant violations of lawfulness; (2) clients are required to take part in the illegal actions of the criminal state, and they are adopted to the family only if the chief patron can

Box 3.6. Legal status of feudal nobility in Russia.

"The hereditary nobility was [. . .] a group [. . .] defined by law whose members shared certain privileges and institutions. These were largely set out in legislation enacted under Peter I and Catherine II. This legislation established who was or was not a noble, how one acquired nobility, what rights and obligations noble status entailed, and what common institutions united the nobility. The most famous piece of Petrine legislation was the 1722 Table of Ranks which stressed the link between service to the crown and noble privilege, and created the rule that officers and civil servants acquired noble status automatically upon reaching defined ranks. [. . .] The eighteenth-century legislation also confirmed the nobility as a property-owning class, with absolute possession of their estates and the subsoil, and exclusive rights to ownership of serfs. Catherine II's son, Paul I (1796–1801), attempted to infringe her Noble Charter of 1785 which had confirmed that noble property could under no circumstances be confiscated by the crown and that noble honour entailed an absolute exemption from corporal punishment. Paul's (actually rather limited) assault on the nobility's sense of its rights and dignity was a key factor in his overthrow and assassination by members of the Petersburg aristocracy."

– Dominic Lieven et al., *The Cambridge History of Russia: Volume 2, Imperial Russia, 1689–1917* (Cambridge University Press, 2006), 229.

[159] Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 78–80. See also Ledeneva, *Can Russia Modernise?*

keep them in check by blackmail in the first place (they may be involved in criminal acts to get adopted or have already committed a crime before, making them eligible for adoption); and (3) the chief patron has authority over law enforcement bodies, especially the office of the chief prosecutor, which means he decides which crimes shall be prosecuted and which ones shall not be (politically selective law enforcement). Hence, systemic compromising that follows from the regime's very nature, is a resource (a "stick") that the chief patron can use to discipline his clients;

- **the institution of treason against the highest ruler exists in a non-formalized form, resulting in the client's loss of orderly status**. In the feudal system, the institution of treason (or "high treason") against the monarch was a criminal act according to the law, and indeed it followed the open and legitimate nature of feudal authority. In the case of patronal autocracies, betrayal of the chief patron or being disloyal to him counts as a *de facto* crime, but since the adopted political family is informal, the conviction of treason must be informal, too. Indeed, the punishment of such people is carried out using the means of public authority, executing various ways of discipline like confiscation of property, but the reason is not the violation of any written law but the unwritten law of the patriarchal family. Also, in feudal times, no one could be stripped of his status because of disloyalty; law enforcement could mean the loss of life, freedom, or property for the traitor, but not status. In a patronal autocracy, disinherited members of the adopted political family lose their status, first in the informal and second, as a consequence, in the formal realm.

3.6.1.3. Why the adopted political family is not a nomenklatura

Last but not least, we should turn to the historical analogy of the **nomenklatura**. Here, the main basis for choosing the communist ruling elite as a root concept is the widespread idea that members of the old nomenklatura survived the regime change and managed to transform their power, remaining highly influential in the executive and legislative branches formally as well as informally.[160] But a comparison with Michael Voslensky's classic analysis of the nomenklatura (see Box 3.7) reveals substantial differences between communist and post-communist ruling elites. The patronal network in a post-communist single-pyramid system **does not resemble the nomenklatura, because the adopted political family:**

- **extends the network of political and bureaucratic administration beyond its formal institutions**. One of the main features of the adopted political family is that it is composed of people in different formal positions, both in the public sector (formally: politicians, ministers etc.) and the private sector (formally: entrepreneurs, spin doctors etc.). In turn, the nomenklatura was composed of people enrolled to the party as well as the bureaucracy of the state;
- **has members with not necessarily only one formal position but a number of formal positions at the same time**. Closely related to the previous point, mem-

[160] For an analysis of post-communism based on this presumption, see Frydman, Murphy, and Rapaczynski, *Capitalism with a Comrade's Face*.

bers of the nomenklatura could have a single formal position, for that position also signified and grounded their power within the bureaucratic patronal network. On the other hand, a member of the adopted political family can have a variety of different formal positions, public and private, while occupying a single position in the informal patronal network what defines their power;

- **does not have a double-structure of connecting horizontals in different levels of party committees (middle/low level party cadres)**. In a communist dictatorship, the formal hierarchy of the nomenklatura is doubled throughout the entire party state hierarchy, extending to the lowest levels of the society [→ 3.3.4]. This is the way the nomenklatura ensures the ideological control of the society, whereas each level of the hierarchy of nomenklaturists is associated with a level in the mirror-hierarchy of middle/low level party cadres. An adopted political family has no such double-organization (and no formal organization itself either),[161] whereas social control, which is not ideological in nature, is ensured through societal patronalization and the changing patterns of existential vulnerability [→ 6.2.2];

- **typically features not the adoption of a person but of a family of blood-related or adopted members**. To the nomenklatura, it was individuals who were enrolled and appointed to certain positions. Family members enjoyed certain privileges, both formally and informally in form of nepotism, but there was a strong limit on their access and influence if they were not formal members of the nomenklatura.[162] In contrast, to the adopted political family, families (of blood-related or adopted members) are adopted, through forming with one of its members kinship or quasi-kinship relation, sealed by businesses in common. Furthermore, nepotistic favors from a nomenklaturist did not give rise to patronal dependence, only reciprocity, whereas members of the adopted political family are granted favors if and only if they are also part of a patronal network of dependence and obedience;

- **has privileges that may bring not only extra consumption and income, but property as well**. Because private ownership was only moderately tolerated at best in communist systems, the members of the nomenklatura could enjoy privileges only in terms of higher incomes or extra consumption, such as using the state's

Box 3.7. The nomenklatura.

"The two essential functions of the nomenklatura are administration and exercise of power. [. . .] The nomenklatura is primarily an embodiment of the political leadership of the society. It is only secondarily, as a consequence of that leadership, that it exercises economic power. Political leadership is its main task [. . .] and this makes necessary a clear dividing line between its political and purely administrative work. [. . .] [N]omenklatura is (1) list of key positions, appointments to which are made by the higher authorities in the party, and (2) list of persons appointed to those positions or held in reserve for them. [. . .] Ministers and ambassadors belong to the nomenklatura of the Politburo; deputy ministers and directors of institutes belong to that of the Secretariat of the Central Committee. [. . .] Every nomenklaturist belongs to the nomenklatura of a definite leading party agency. It is this agency that appointed him, and it alone can dismiss him. [. . .] A member of the nomenklatura family can spend his life from the cradle to the grave working, resting, eating, shopping, traveling, talking, or being ill without coming into contact with the Soviet people."

– Michael Voslensky, *Nomenklatura: The Soviet Ruling Class*, 1st edition (Garden City, N.Y: Doubleday, 1984), 70–82, 213.

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161 Petrov, "Putin's Neo-Nomenklatura System and Its Evolution," 182.

162 White et al., "Interviewing the Soviet Elite."

facilities (cars, real estates, resorts etc.).[163] Accordingly, individual members could not accumulate wealth in terms of tangible goods or monetary fortunes. However, since the adopted political family rules over a patronal autocracy which is fronted by a predatory state, its members can and do accumulate fortunes in monetary terms as well as property, companies, lands, concessions and so on;[164]

- **gives privileges gained in property that are not restricted for the duration of being in "service" but can be kept**. The range of privileges of the nomenklatura was tied strictly to position, and not to persons. Accordingly, and also following the previous point, privileges were limited to the time the respective people were in office (or formal position in the party). In contrast, the members of the adopted political family have the opportunity to keep their wealth, unless they are removed from the patronal network (for disloyalty), leave the country, or die [→ 5.5.3.4]. Even in cases of "high treason," confiscation of property may be a gradual and/or partial process, using illegitimate ways of state coercion.

3.6.1.4. The sui generis character of the adopted political family

To sum up, **the informal patronal network in post-communist systems can be characterized as an adopted political family, because:**

- **different networks of extended personal acquaintance are organized into a single adopted political family;**
- **not only individuals, but families are incorporated;**
- **it is informal, without formal membership;**
- **it extends over formal institutions;**
- **it is based on patronal, and not organizational loyalty (there is no free entrance into or free exit from it);**
- **position within the adopted political family does not converge necessarily with formal administrative positions;**
- **its power is based on the merger of political and economic "resources;"**
- **it follows the cultural patterns of rule of the patriarchal family (patriarchal domination).**

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[163] The system of privileged personal benefits serves as a guide in deciphering the hierarchical relationships between positions within the partial elites of the nomenklatura. In communist Hungary, for example, the exchange rate between positions occupied by the partial elites took the form of sophisticated consumer and prestige benefits. These included a hierarchy-based access to goods and services including party hotel resorts, the number of stags and the size of their antlers licensed for shooting at a state hunt, different levels of privileged health care, the hierarchy of license plate numbers for official cars and so on.

[164] Petrov, "Putin's Neo-Nomenklatura System and Its Evolution," 183.

An illustration of the workings of adopted political families is provided by Minakov, who analyzes Ukrainian "clans" and traces their evolution from smaller strong-tie networks into "sophisticated multi-layer organizations" on the national level.[165] Let us quote him at length, as his description offers insight into how spheres of social action collude within the complex informal patronal structure of adopted political families: "In the initial stage, the clans centered around the key patronal figure of the 'poligarch' (or several partners/poligarchs), central figures demanding loyalty from all the members of a clan or a group of clans. They were surrounded by an inner circle of oligarchs, 'adopted oligarchs' and 'surrendered oligarchs' who controlled key plants, banks, and other economic assets. The next circle (of 'front men' and political partners) included leaders of dependent political parties, heads of executive, legislative and judiciary institutions and de jure state-owned enterprises, and managers of media holdings. A separate group of associates would be 'security providers': criminal groups and dependent officers of the secret services and the police. This structure was strong enough to succeed during privatization, survive the criminal wars, and successfully conduct (or defend its interests from) corporate raiding attacks. […] Around 2000–2002, the major clans started moving from shadow political and economic activity into a more public posture. Those economic assets that were legally owned by poligarchs and the inner oligarchic circle were incorporated; this process produced the largest Ukrainian corporation of 2000–2014. The same organizational process was occurring with political assets and client networks. Small parties were merging into larger, more durable organizations, such as the Party of Regions or Yulia Tymoshenko's Batkivshchyna. Client networks were managed by emerging private and corporate philanthropic foundations."[166]

As we can see, the adopted political family involves the kinds of actors we have described above and associated with patronal autocracy, from oligarchs to poligarchs, from front men to patron's parties. The informal patronal network of these actors is what we call the adopted political family, which embodies a collusion of political, economic, and communal spheres. To be more precise, we give the following definition for the adopted political family:

- **Adopted political family** is an informal patronal network which takes the form of a clan, meaning it features kinship and quasi-kinship relations under the patriarchal domination of the chief patron. Adopted political families strive for political positions and coercive (state) power over every sphere of social action of a formally democratic regime. As it entails the respect of informal rules over formal ones, the rule of adopted political families tends to be illegal, regularly stepping over existing formal laws.

[165] Minakov, "Republic of Clans," 238.

[166] Minakov, "Republic of Clans," 238.

3.6.2. The Anthropological Character of the Adopted Political Family

The expression "adopted political family" reflects on three characteristic features of informal patronal networks:

- **"adopted"** refers to the structure of the network in general and to the kinds of links (kinship and quasi-kinship ones) it uses in particular;
- **"political"** refers to the elite's function within the polity, namely that it strives for political positions and coercive (state) power over every sphere of social action;
- **"family"** refers to the cultural pattern of patriarchal families, particularly patriarchal domination by the chief patron.

Previously, we mainly focused on the middle word, "political," presenting the adopted political family as the ideal typical ruling elite of patronal autocracy [→ 2.2.2.2–3]. As for the two other terms, they circumscribe the anthropological character of the ruling elite from two different aspects: the aspect of linkage ("adopted") and the aspect of subordinating order ("family"). We elaborate on them in that order.

3.6.2.1. Linkage: a typology of post-communist clans

If one wants to reflect on the anthropological aspect of linkage alone, he can use the word **"clan"** instead of the multi-faceted "adopted political family," just like one can say, with respect to a patronal autocracy, "clan state" instead of "mafia state" if his primary focus is the nature of the ruling elite.[167] Previously, we identified clans as follows [→ 2.4.1]:

- **Clan** is a network of people which is informal, patronal, and features kinship and quasi-kinship ties between its members.

The clans of pre-modern society were, just like dynastic houses in feudal times, organized on the basis of bloodlines, but they also took in outsiders as they expanded on a personal, family basis. In post-communist clans, kinship relations are supplemented by quasi-kinship relations as the network (or its core of founders) itself is continuously complemented by families not connected to other members on the basis of bloodlines [→ 2.4.1].

Existing literature using the concept of clan for the analysis of post-communism defines the term in a similar way. If we take a look at Collins' renowned *Clan Politics*, the main difference between her definition and ours is that she stresses, with respect to the networks' cohesion, the presence of a shared identity instead of patron-client rela-

[167] This logic of conceptualization has been shown in the previous chapter, where different state concepts have been used for different interpretative layers of states [→ 2.4].

tions.[168] We decided to include patronalism instead, and leave shared identity out, because patronalism is a more general feature of clans when they are also political networks (ruling elites), whereas shared identity is particular to a specific subtype of post-communist clans.

Differences of clans in the post-communist region stem mainly from their genesis, that is, the kind of social group that comprises the core of the network or what kind of values and interests it was founded on. Accordingly, we may develop a typology of clans, differentiating five ideal typical fundaments upon which they are built:

- **Ethnicity-based clan** is a clan which is built upon the common ethnicity of its members, that is, similarities between them such as common ancestry, language, culture, or nation. Such a clan is characterized by a shared identity, which means the core feature it was founded upon (ethnicity) is shared by all of its members.

- **Nomenklatura-based clan** is a clan which is built upon the common pre-regime change history of its members, particularly that they were members of the nomenklatura together. Such a clan is characterized by a split identity, which means the core feature it was founded upon (nomenklatura membership) is primarily shared by the founders and less by the members who were adopted later.

- **Party-based clan** is a clan which is built upon the common post-regime change history of its members, particularly a party which developed its own patronal network in the competition with other parties and their networks (that is, in patronal democracies [→ 3.3.8]). Such a clan is characterized by a split identity, which means the core feature it was founded upon (party membership) is primarily shared by the founders and less by the members who were adopted later.

- **Fraternity-based clan** is a clan which is built upon a small, very close and tightly knit community of friends or colleagues who had found their social bearings together (in, for example, college or a sports club). Such a clan is characterized by a split identity, which means the core feature it was founded upon (fraternity and close friendship) is primarily shared by the founders and less by the members who were adopted later.

- **Criminality-based clan** is a clan which is built upon a criminal group or syndicate that transformed itself, probably during the regime change, from the organized underworld to the organized upperworld. Such a clan is characterized by a split identity, which means the core feature it was founded upon (criminal-group belonging) is primarily shared by the founders and less by the members who were adopted later.

[168] Collins, *Clan Politics and Regime Transition in Central Asia*, 27.

Whether the ruling elite in a concrete post-communist country is closer to one clan type or the other is **rather accidental, highly influenced by contextual as well as personal factors**.[169] For instance, in **the post-communist regimes of Central Asia**, while it is the top positions of the communist party and the secret service that switched into informal patronal networks, these post-Soviet republics bear the signs of strong ethnic divisiveness. Traditional clans mostly come together to form tribes, and at times the tribes will form tribal unions, which in Kazakhstan are called *zhuz*. The chief patron will sometimes be balancing between a few such large ethnicity-based clans, including them in the regime and thereby precluding serious clan opposition to the regime.[170] Elsewhere the clans will form six-seven regional groups, and one or two stronger regional groupings will rise to more-or-less monopolizing the available positions (Tajikistan, Turkmenistan, Uzbekistan). At other times, plenty of independent tribes competing in the political arena drive the political system towards a parliamentary bargain-mechanism (Kyrgyzstan).[171]

Nomenklatura-based clans were especially prone to develop where secret services and militaries had had a more prominent role before the regime change, due to their stricter chains of command (e.g., Azerbaijan).[172] But even in such cases, it was not the entire nomenklatura that turned into a clan; indeed, as we move from Soviet Central Asia, where the top positions of the communist party and the secret service switched directly into informal patronal networks, through the Eastern Orthodox region to the Western Christian region, a smaller proportion of the nomenklatura became members of the post-communist ruling elite.[173] This is because **the nomenklatura as a whole, which depended on bureaucratic hierarchy, was by and large unsuitable for the role of a post-communist clan**, based on informal ties and personal loyalty to the chief patron. This point is finely illustrated by the fate of the old communist parties in the region. After the regime change, it was typical of patronal autocracies—especially Turkmenistan and Uzbekistan—that the former member states of the Soviet Union broke away practically without any democratic transition, under the leadership of the local communist party and secret service elite.[174] But these parties only seem to hold out temporarily and eventually lose their significance, disappear, or transform into "nationalist" parties. Indeed, **the former local communist party chief**, having stabilized his power through a presidential system, **often abandoned the old party and its structure for a newly established party**, like a snake shedding its

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[169] The Chinese party state fights the tendency of informal patronal networks taking over the state in a bottom-up fashion [→ 5.6.2.3], and it—possibly relatedly—prohibits nomenklaturists from having membership in organizations from which clans could naturally develop. These include internal factions, officially not recognized associations (e.g., university alumni or military cadets) and informal regional clubs (e.g., party functionaries coming from the same area). Indeed, members of the state party are "only permitted to join associations whose establishment expressly meets with official government approval." Heilmann, "3.7. Informal Methods of Exercising Power," 184.

[170] Collins, *Clan Politics and Regime Transition in Central Asia*, 50.

[171] On the basis of an interview one of the authors conducted with Dr. Dosym A. Satpayev (director KRAG Assessment Group, Almaty, Kazakhstan).

[172] Cf. Hale, *Patronal Politics*, 149–53; Széky, *Bárányvakság* [Daytime-Blindness], 213–49.

[173] Szelényi and Szelényi, "Circulation or Reproduction of Elites during the Postcommunist Transformation of Eastern Europe."

[174] Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*.

worn skin.[175] The notable exception to this rule is Turkmenistan, where the ruling party remained the communist successor party, and this is largely explained by the fact that basic democratic institutions were not even formally instituted (the country remained a *de jure* one-party system until 2008).[176] However, if the establishment of the single-pyramid system came after a longer transition through patronal democracy, as with the Yeltsin-Putin turn in Russia, the new patronal network is recast as a political party founded by the chief patron independently of the communist party, which endures in opposition.[177]

In **Ukraine**, clans show a peculiar regional character, yielding the Dnipropetrovsk and Donetsk regional groups, which comprise numerous—smaller and bigger—clans in their region and had several important political figures and parties in Ukrainian political life. Largely ethnicity-based actors[178] that existed within the nomenklatura and then in the post-communist times, these clans "were also connected with organized crime. The formation of Ukrainian clans took place in the era of the post-Soviet 'criminal revolution.' Some of the leaders of this 'revolution' turned out to be among the poligarchs and oligarchs of the clans (among them the twice-convicted Victor Yanukovych, and Rinat Akhmetov, who is believed to have led criminal groups in Donetsk since 1995). Others remained at the level of security providers and chiefs of teams responsible for corporate raiding. The criminal underworld was one of the most important sources of cadres for Ukrainian clans."[179] Thus, we can speak not only about ethnicity but also criminality-based clans in the case of Ukraine.

Somewhere between the ideal typical nomenklatura-based and fraternity-based clans is the adopted political family of Putin in **Russia**. There, the decision-making power center of the adopted political family is grounded in the relationships that developed (1) on the lower levels of the former party and secret service nomenklatura and (2) between people who were born in Leningrad and graduated from its university (like Putin himself). The necessarily restricted circle and locality of these relationships provides ground for what is often called the St. Petersburg Clan.[180] Several members of the previous nomenklatura ended up in the patronal bureaucracy [→ 3.3.5], which has become an important segment of Putin's adopted political family as a result [→ 7.4.2]. The membership of Putin's clan—as we are going to explain below—has changed over time, whereas he is also often seen as an "arbiter" between the various factions of the adopted political family.[181] Yet it is unclear how much he arbitrates and how much he simply lets sub-patrons fight with each other on lower levels of the patronal pyramid [→ 2.2.2.3]. The crucial point, however, is that the role of a simple arbitrer would be an unstable position vis-à-vis almost equals in the family, and this is not what Putin has. Indeed, he disposes over the family and has the capacity, as chief patron, to protect or punish as he sees fit.

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175 Luong, *The Transformation of Central Asia*.

176 Hale, *Patronal Politics*, 242–48.

177 Sz. Bíró, "The Russian Party System."

178 Way, *Pluralism by Default*.

179 Minakov, "Republic of Clans," 238.

180 Kryshtanovskaya and White, "Inside the Putin Court."

181 Staun, "Siloviki versus Liberal-Technocrats."

Finally, in **Hungary** we can see the rise of a fraternity-based clan. For it was the former alternative liberal party Fidesz, founded originally as a youth organization, that changed directly into a patronal network, grounded in early friendships from student fraternities at university.[182] A transformation of the party and its subsequent achievement of a two-thirds parliamentary majority during the elections of 2010, resulted in Orbán and his inner circle acquiring unconstrained political power. This enabled them to eliminate individual and institutional autonomies as well as the system of checks and balances within the parliamentary system, and to arrange members of society into a single-pyramid patronal system dominated by its network. This did not of course happen on the basis of the former communist party and secret service nomenklatura, though those who surrendered were accepted, and the secret service apparatus was domesticated for the purposes of the adopted political family.

3.6.2.2. Subordinating order: the character of *pater familias*

The cultural models of the head of the adopted political family and the features of his rule differ vastly from the model of communist dictators. He rarely shows his power in parades or party congresses, and the manifestations of his rule bear the characteristics of relations within the patriarchal family. If we were to place it in historical-logical order, we would find that the role of the head of the adopted political family begins with the archaic patriarchal head, followed by the Roman *pater familias*, and the chief patron of patronal autocracies. What is common in the concept of the roles can best be described through **the role of the *pater familias***. The Roman family unit, as a household community subject to the initially unbridled power of the *pater familias* enjoyed a rather high degree of autonomy from the state. "The scope of public law, the *ius publicum*, that is, the power of the magistrates in a sense came to a stop (in principle and in general) at the border of the private estates, on the doorstep of the private houses, from where the rules of private law, *ius privatum* were instated, ensuring absolute power to the head of the family."[183] This **power extended to all matters of life, individuals, property and activity**. The "existence of the family is the sum of those who stand beneath the power of the head of the family,"[184] from the head of the family down, through the wife, as well as the children by blood and adopted children, and other relatives living in the household, down to the servants and menials of various statuses. Indeed, the Latin word *familia*, where the English word "family" comes from, is an abstract noun formed from *famulus*, meaning "servant, slave."[185] Historically, we have the opportunity to bear witness to the process by which the people belonging to the household of the patriarchal head of the family, subjected to him under various statuses, are gradually becoming emancipated, and finding ways out of all-round personal and material dependence. In this centuries-long process, we have only recently reached, for example, prohibition of domestic violence.[186]

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[182] Magyar, *Post-Communist Mafia State*, 40–45.

[183] Földi, "A római család jogi rendje" [The legal order of the Roman family].

[184] Földi, "A római család jogi rendje" [The legal order of the Roman family].

[185] "Family."

[186] Felter, "A History of the State's Response to Domestic Violence."

In patronal autocracies, however, **the patriarchal head of the adopted political family extends his entitlements** over persons, property and activities by illegitimate and illegal means **to a national level**, by the means of a monopoly on the enforcement of state power. The family, the household, the estate and the country belong to the same cultural pattern for the head of the political family. His actions, although he formally "governs" the country, cannot be expressed appropriately by this verb, just like **the *pater familias* did not "govern" his family**. Indeed, **he disposed over them**, their property and status. Accordingly, the proper verb for describing the ruling action of the chief patron is "to dispose over," concerning all spheres of social action.

3.6.2.3. Vassalization and the pattern of patron-fostered careers

There is an apparent contradiction between what we say about linkage and subordinating order. For at the former, we said clans could be based on small groups, even closely knit cliques of friendship and fraternity, which constitute the core of these networks; whereas now at the latter we say the chief patron, as *pater familias*, subordinates everyone in the adopted political family and disposes over them, meaning there can be no core of equals in the clan. This contradiction is resolved in favor of the latter aspect: **horizontal relations of fraternity**, although they may exist in the beginning, **are eventually transformed into vertical patronal hierarchy.** As the regime consolidates, former "comrades" become "vassals," that is, people who are both loyal to the chief patron and are willing to give up their autonomy: performing any kind of task they are assigned, no matter how humiliating it is in the public eye. Those who do not accept vassalization (i.e., patronalization), but remain loyal, are usually sent to sinecure, receiving an office with decent income and little or no work; those who want to keep their dignity, and give up loyalty as well, are cast out.[187]

As the "comrades" of autocratic breakthrough are sidelined in autocratic consolidation [→ 4.4.1.3], successive generations of clan members enter who do not share the identity of the core and are subordinated on default.[188] While they are more loyal than original members who thought of themselves are equals, **the newcomers who are also given political, party positions are subject to various tests: (1) loyalty testing**, meaning they are assigned specific tasks (indeed, often illegal ones) where they need to prove that it is the interest of the clan in general and the chief patron in particular which they serve; **(2) capacity testing**, meaning they are faced with different challenges, typically a challenging position, where they have to prove their proficiency or prowess; and **(3) compromising**, meaning the tasks they perform in accordance with (1)-(2) make it practically impossible for them to start an alternative career, let alone in a rival patronal network. By (1)-(2), the

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[187] Illustrative is the case of Orbán's fraternity-based clan in Hungary. While in the beginning there were around half a dozen political actors on the top of the clan, with the passing of a decade, of the whole team only Orbán has remained. The rest have all been exiled from the innermost circle of power: József Szájer, Tamás Deutsch, and János Áder were sent to the European Parliament in Brussels (though later the place of service for the latter was relocated, and he was reactivated as President of the Republic); Zoltán Pokorni became a mayor of one of the districts of the capital, while István Stumpf was made Constitutional Judge. László Kövér became the Speaker of Parliament, and Attila Várhegyi joined the private sector affiliated with the adopted political family.

[188] On the case of Russia, see Gaaze, "Court and Politburo."

bonds of trust are built, whereas by (3) a patron-client relation is created. For compromising means (1) that the newcomer, having committed illegal actions, can be blackmailed to follow orders by a patron and (2) that he becomes a client who is in need of something (a career and high position) which the patron is the monopolist of. Deprived of their autonomy via this tripartite rite of passage, these people with political positions are among the best servants of the chief patron. Though they may eventually retire to some quieter political backwater with sinecure, they can be called back for some character-eroding "auxiliary duty" on occasion. Indeed, what is meted out as punishment to the former founders and one-time comrades in arms of the chief patron is granted as a reward to these latter actors.

3.6.2.4. Clans or tribes? Disloyalty and amoral familism

It follows from the character of the chief patron—that is, the character of a Godfather, for patronal autocracies have mafia states—that **the sin above all sins in the adopted political family,** which is always avenged, **is disloyalty**. Loyalty is the condition of both adoption and being party to a share of the proceeds.[189] Those who want to leave the system, or turn against it, may be penalized for things they could never be penalized for in a liberal democracy, and the way they are penalized could never be pulled off in a liberal democracy. As a result of the obstruction and liquidation of the institutions upholding democracy and the establishment of the patron-client system, discretional tools—that would never be accessible with functioning checks and balances and separated powers—become available to enforce silence and obedience. **The tools basically affect existences**, possibly in an all-consuming and enduring way. Thus, the victims coerced under threat of their existences are silent—as familiar from criminology—for if they spoke, it would only visit more troubles upon them.

Closely related to this point, there are no peaceful means—by individual volition—of stepping out of the system. Once adopted, the member is either discharged by the head of the political family, or if deserting, he will be chased down. No matter if he were the political family's appointed president of the republic, a minister, or a member of parliament, he knows the consequences of opposition and of quitting. It is not merely the loss of some advantages, but the possibility of complete loss of existential means. Defection entails not only a "shooting license," which means other members of the family can disadvantage the defector and use political and economic means against him, but a "shooting obligation."

On the other hand, **while disloyalty counts as a sin**, **members of the political family who commit some other offence**, whether against the law or decency, **can avoid punishment in a patronal autocracy**. The abuse of public office for private gain, forgery of official documents, or (ordinary) domestic violence does not matter—at least until they do not exceed the level the actor is authorized [→ 5.3.4.2].[190] If public opinion pursues the offender more vociferously, or the case meets with an exceptionally serious international response, it may come to a sacrifice of the one responsible. Yet these individuals can still be assured of one thing: **the chief patron will always be there for them, ensuring immunity and impunity**. At most, the political family will create a new existence for them—just like in witness-protection programs—somewhere else, removing them from public view. Only,

[189] Ledeneva, *Can Russia Modernise?*, 39.

[190] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 57.

however, if the individual is loyal. This gives the regime its strength: they do not serve their own people up to "alien powers." And for those who know the disadvantages of confrontation and the protection that adherence means, not only the possibility of confrontation is lost, but its rationale as well.

Edward C. Banfield's category of **"amoral familism,"** describing the poverty-ridden conditions of a Southern Italy woven through-and-through with mafia culture, can also be used describe the rules of conduct determining the behavior of the adopted political family and the mafia state.[191] Amoral familism in patronal autocracies means, following the internal culture of the clan, a lack of any responsibility or solidarity towards all those who do not belong to the adopted family. Furthermore, amoral familism often develops into a Manichean worldview of "them" and "us" in protection of the network from outsiders, whose interests are threatened or violated by the mafia state [→ 6.4.2.3].

Reflecting on this feature, **"tribalism"** and "neo-tribalist politics" have been applied in the literature on contemporary politics,[192] and "tribe" itself is a closely related concept to clans in sociology and anthropology literature (including the works of Max Weber).[193] However, the sociological structure of tribes in general and their ruling elite in particular are rather different from those of post-communist clans. Most importantly, **in a tribe, the character of *pater familias*, chief patron or Godfather does not appear**. The tribal chief or chieftain, both in pre-modern and modern tribes, is usually limited in power by a "council of elders" or a similar body, and it is not uncommon that there is some kind of formalized rite or procedure to challenge him by other members of the tribe.[194] In an adopted political family, the condition of loyalty and strong retaliation for disloyalty, both stemming from the character of *pater familias*, does not allow for such elements.

3.6.3. Disposing over Status and Wealth as Chief Patron

3.6.3.1. Shelter provision: krysha, limited-access order, and wealth accumulation

As he disposes over his regime and country, the chief patron also disposes over the wealth and status of various people of interest, particularly "the people of his household," his adopted political family. This is made possible by the maximum amplitude of arbitrariness he enjoys, meaning he is free to use and not use the means of public authority at his whim [→ 2.4.6]. However, as we indicated in Figure 2.2 in Chapter 2, **discretional state action can go both ways: it can be positive as well as negative**. In the former case, we can speak about shelter provision:

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191 Banfield, *Moral Basis of a Backward Society*.

192 Dencik, "Neo-Tribalism"; Krekó et al., "Beyond Populism: Tribalism in Poland and Hungary."

193 Weber, *Economy and Society, passim*.

194 See e.g., Bamfo, "The Hidden Elements of Democracy Among Akyem Chieftaincy"; Gibson, "Constitutional Experiences of the Five Civilized Tribes"; Förster and Koechlin, "'Traditional' Authorities"; Baldwin, *The Paradox of Traditional Chiefs in Democratic Africa*, 20–65.

- **Shelter provision** means the discretional use of (public) resources and means in favor of an actor. In patronal regimes, patrons engage in shelter provision toward their clients.

Within the adopted political family, the most common form of shelter provision is **krysha**, meaning "roof" in Russian. Focusing on Russia in the decade of oligarchic anarchy [→ 2.5.1], Volkov finds that the initial meaning of krysha was "a private enforcement partner, criminal or legal, [providing] a complex of services […] to protect [economic actors] physically and minimize their business risks."[195] Ledeneva also defined the term at one point as "protection from above, can be of criminal, military, or secret services origins,"[196] although she later gave it the more general definition of "political and criminal protection in exchange for payments or financial support provided by businessmen."[197] Our definition, designed to situate top-down as well as bottom-up forms of corruption [→ 5.3], is even more general:

- **Krysha** is the informal, discretional protection of one's freedom and property from legal and illegal threats.

In the case of the adopted political family, the most important form of krysha is the guarantee of **impunity**, that is, protection from law enforcement and the various punishments imposed by formal control mechanisms. How comprehensive protection one can provide depends on (1) his amplitude of arbitrariness and (2) the range of institutions where he can exercise his arbitrary will. Loyal members of the adopted political family can see themselves as particularly protected: the chief patron is a neopatrimonial/neosultanistic ruler, meaning he treats public institutions as private domain and has the ability to overrule the decisions of formal institutions discretionally, along his informal interests [→ 2.4.2]. As long as his krysha is intact, a client need have no scruples to violate formal laws or commit outright crimes. Naturally, he cannot do anything he wants; moreover, the chief patron gives precise authorization, defining the allowed extent of corruption and the territory (a region, a city, a ministry etc.) to which one's corrupt activities are confined [→ 5.3.4.2], and these limits are zealously monitored. But as long as he plays by the rules, the client can be sure that the institutions which have *de jure* obligation to counteract him, like police or prosecution, will be *de facto* neutralized, disabled or biased in his favor upon the chief patron's top-down (informal) orders.

The importance of krysha goes beyond personal protection. Indeed, the supremacy of informal rules over formal ones would be unimaginable without it. If informal norms, interests and licenses are to be exercised against formal rules, the latter must be made irrelevant, which also means that one must disable control mechanisms that are in place to ensure lawful, orderly functioning. Thus, **in an informal regime actors must have krysha, which means precisely that formal institutions are disregarded in face of informal ones**.

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195 Volkov, *Violent Entrepreneurs*, 139.

196 Ledeneva, *How Russia Really Works*, 238.

197 Ledeneva, *Can Russia Modernise?*, 274.

Furthermore, one can act by his informal interests and commit illegal, corrupt acts only as long as his krysha is intact—in a patronal autocracy, as long as the chief patron does not decide to remove the krysha from above his head. The famous saying "for my friends everything, for my enemies the law" becomes literal here,[198] with the exception that here we are not talking about "friends" or cronies but clients in a subordinate relation to the chief patron [→ 5.6.3]. Krysha automatically generates kompromat, meaning evidence that can be used in courts [→ 4.3.5.2], as the chief patron can know about all the illegalities one had committed before his krysha was removed. Thus, illegality puts an extra layer of obedience, which does not exist in legal regimes, on the network's members; disloyalty can even lead one to losing his wealth and freedom (prison). An example we mentioned in the previous chapter is the Komi Republic, where governor Gaizer had run a sub-sovereign mafia state for years before he was eventually charged, although plenty of evidence and rumors had been public about his activities without prompting any official response [→ 2.5.3].

However, krysha is not the only way of shelter provision. Indeed, it is the mildest form of it, required to run the state along informal norms in the first place. Creating a typology, we may distinguish **three levels of shelter provision** as follows:

- **protection**, which refers to krysha, or the removal of formal obstacles to informal practices;
- **preferring**, which refers to granting unequal opportunities to the members of the adopted family vis-à-vis non-members;
- **promotion**, which refers to the active development of a family member's wealth by state means.

Indeed, that the chief patron protects someone already means illegitimate advantage, for others who do not have such protection have to obey the law and cannot disregard existing regulations. However, when a member of the adopted political family is **preferred**, that means he is **granted access to resources that people outside the leading political elite cannot get**. These might include state positions, public procurements, international trade opportunities, and practically any kind of political or economic opportunity where access would be granted on the basis of normative, impersonal criteria in a liberal democracy [→ 2.4.6]. This is what North and his colleagues refer to as limited-access order, where access to important resources is limited to members of the ruling elite [→ 6.2.1].

Finally, **the chief patron becomes an active promoter** of a person of his adopted family when he **reallocates public and private resources by the instruments of public authority** in his favor. This applies mainly to economic actors of the adopted political family, like (patron-bred and inner-circle) oligarchs and front men. They are the prime beneficiaries of the mafia state's (1) discretional interventions, regulations and monopoly grants [→ 5.4], (2) kleptocratic functioning, meaning the channeling of public monies to the actors' hands illegally, and (3) predatory functioning, whereby outsiders' companies and assets are taken over and relocated to the ownership orbit of those the chief patron

198 Quoted by O'Donnell, "The Quality of Democracy," 40.

wants to promote [→ 5.4]. These techniques are involved in the arsenal of relational market-redistribution, which is the main economic mechanism of patronal autocracies' relational economy [→ 5.6]. Also, it is one of the prime manifestations of the principle of elite interest. For, by these techniques, the adopted political family can accumulate wealth, money and assets, which are then used for both private spending and reinforcing the chief patron's monopoly of political power [→ 5.3.4.4].

3.6.3.2. Integrity breaking: threat, harassment, and attack

The opposite of shelter provision, representing the negative side of Figure 2.2, may be called "integrity breaking:"

- **Integrity breaking** means the discretional use of (public) resources and means against an actor's formally defined autonomous position. In patronal regimes, patrons engage in integrity breaking toward actors who are disloyal, pose a risk, or seem like enticing prey.

Among the targets of integrity breaking, only (former) members of the adopted political family can be **disloyal**, whereas threats and prey are typically outsiders who are either hostile or neutral toward the regime. Indeed, one does not have to actively oppose the regime to become a **risk**. It is enough to have substantial independent resources and autonomy to potentially counter the regime. "Resources" may include economic resources, like in the case of autonomous oligarchs [→ 3.4.1.4], or political resources, like in case of opposition parties [→ 3.3.9] and media personalities, who can publicize sensitive information and therefore potentially change public opinion and election results. On the other hand, not every actively hostile element is subject to integrity breaking, only those who pose an effective threat to power monopolization and personal-wealth accumulation. The mafia state shows a great amount of pragmatism in this respect [→ 4.3], just as when it comes to choosing **prey** [→ 5.5.4.1]. In the period of circular accumulation of wealth, the adopted political family redistributes property from private owners [→ 5.5.4.2] and uses it for promotion, as well as to accumulate capital for the long-term functioning of adopted political family.

Again, we may distinguish **three levels of integrity breaking**:

- **threat**, which refers to (verbal) messages about potential attack if the target does not obey the adopted political family;
- **harassment**, which refers to "warning shots," which do not permanently damage the target but clearly signal the chief patron's hostility;
- **attack**, which refers to the full-scale use of the legal as well as illegal means, potentially leading to the loss of wealth, freedom, or life.

Threat involves no harmful action *per se* but it precedes it, meaning it envisages harassment and attack to compel the target to surrender. Basically, it is an **irrefusable offer**, to paraphrase the famous and very apt expression ("an offer you can't refuse") from the movie *The Godfather*. As far as the two latter levels are concerned, actual harmful acts of integrity breaking can be classified as (a) moral, (b) existential, and (c) physical. **"Moral"** should

primarily be understood as referring to public image, meaning a person's reputation that can be harmed in negative campaigns **(character killing)**. While negative campaigning is not unprecedented in liberal democracies, there are some significant differences.[199] First, in a patronal autocracy, patronal media has an overwhelming dominance in the sphere of communication [→ 4.3.1.2]. Unlike in liberal democracy where campaigning media are surrounded by a plural media environment,[200] reputation-dirtying campaigns can rely on patronal media and frame anyone as a public enemy, an immoral person or as a scapegoat, perhaps with the help of kompromat, whereas the target has no opportunity and resources to answer the charges with similar publicity. Moreover, the prosecutor's office can be used to criminalize targets, too, making well-photographed arrests and starting investigations upon informal orders. Simply put, the prosecutor's office can act as *de facto* part of the chief patron's campaign staff [→ 4.3.5.2]. The second difference between character killings in the two regimes is that, in liberal democracies, the target audience of such campaigns is the electorate, who politicians want to convince about the unacceptability of their competitors. In a patronal autocracy, character killing (1) does not necessarily link to a voting event, as it is not launched because of the electorate *per se* but because it wants to break the target's integrity, and (2) the target audience also involves members of the single-pyramid network, who get the above-mentioned "shooting-obligation" to disfavor (or at least avoid) the target, as well as other people in similar status as the target. If a journalist is subject to moral integrity breaking, that signals to other (would-be) journalists that they better be afraid of similar consequences should they not obey (negative signaling [→ 4.3.2.1]).

One final difference is that character killing in liberal democracy is not followed by **existential** harassment or attack. "Existential" refers to wealth or more generally the living conditions of a person that is dependent on his wealth and income. Harassment may involve firing friends and family members from public positions, or positions related to the economic empire of the adopted political family [→ 6.2]. The most obvious form of existential attack is predation, that is, the takeover of one's assets through centrally-led corporate raiding. Finally, **physical** harassment and attack refers to white and black coercion, that is, the use of police and criminal groups, respectively, to abuse the target physically [→ 4.3.5.4]. This method is typically a worst-case scenario when the target is unyielding, or when other methods simply cannot be used because the target has a strong moral standing and independent existence, possibly with ties to foreign countries where he can flee. However, in most cases, the chief patron can neutralize threats, hunt down prey and punish disloyal actors without getting physical, making coercion in his regime overall subtler than that in 20th century communist dictatorships [→ 4.3].

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199 We are now focusing on regime-specific differences, related to other features of patronal autocracy. For a discussion of technical differences, see the chapter on black PR in Ledeneva, *How Russia Really Works*, 28–57.

200 Cf. Min, "News Coverage of Negative Political Campaigns."

3.7. The Structure of Elites in the Six Ideal Type Regimes

At the beginning of the chapter, we stated that in a liberal democracy the spheres of social action are separated. Focusing now on elites [→ 2.2.2], we can say that in such a regime, the ruling elite is composed solely of the **political elite**, that is, the formal members of the branches of power. Furthermore, this political elite is indeed **split between** those supporting (and being part of) the group in power and those opposing it, that is, **the leaders and the opposition**.

In other regimes, however, the political elite is partially or fully merged with other, market and communal, spheres of social action which includes the annexation of **market and communal elites**, too, breaking their autonomy and subjugating them to the ruling elite's hierarchy.

Selecting elites of different walks of life from different spheres [→ 2.2.2], we draw up, in ideal typical form, their relationship to the political elite in all the six ideal type regimes. Indeed, we have not given precise definitions for these regimes yet (given that will require the concepts developed in the following chapters) and for the three intermediary regime types we have not defined actors yet either. However, in Chapter 1, we described the general character of these six regimes [→ 1.6]. Patronal democracy features competing patronal networks, which means it has actors common in patronal autocracy—like top patrons, poligarchs and oligarchs—but it also has certain democratic features, like a governing party (instead of a transmission-belt one). Conservative autocracy is most similar to liberal democracy in the sense that the spheres of social action remain separated, but among formal state institutions we can find bureaucratically patronalized ones, and in the opposition, various neutralized parties. Finally, market-exploiting dictatorship features one-party state with a thriving private market, meaning we can find a coexistence of politburo, cadres and state party with entrepreneurs and lobbyists (as well as tolkachi).

For the purposes of ideal typical presentation, we have chosen five elite groups, the relationship of which to the leading political elite (but not to each other) will be shown:

- **economic elite**, which includes the elite of the private or business sector;
- **media elite**, which includes nationwide media outlets as well as professional opinion-molders (journalists etc.);
- **cultural elite**, which includes the country's leading cultural figures, artists, directors and so on;
- **administrative elite**, which includes the decision-makers in the state apparatus (administration) organizing governmental policies and overseeing their execution;
- **law enforcement elite**, which includes the decision-makers of law enforcement bodies, secret services, the chief attorney and so on.[201]

[201] The elites were chosen as carrying most importance to post-communist regimes. Nevertheless, the list could be expanded with other elites that are not included now, such as religious or military elites [→ *Conclusion*].

Note that the latter two elites belong to the sphere of political action, whereas the first three are divided between the spheres of market and communal action. The ideal typical relationship of these elites and the opposition political elite to the leading political elite is summarized in Table 3.5, where we differentiate **three general types of relationship**:

- **no annexation**, which means the political elite may only define the legal framework but it is not involved in executive decision-making of another elite;
- **partial annexation**, which means the political elite is involved in the executive decision-making of another elite;[202]
- **full annexation**, which means the political elite is the primary executive decision-maker, whereas the annexed elite has no autonomy whatsoever.

In other words, in the case of full annexation the political elite becomes the "elite of elites" by definition, because the members of the executive and legislative branches will have greater influence over the lives of the subjugated elite groups than vice versa. However, this is different from the phenomenon of **merger,** which we also identify, and which means that people formally belonging to two different elite groups become *de facto* elite figures in one another's walk of life, blurring the boundaries between the two groups.

Before we present the ideal typical elite structures (with approximating examples), we need to make two technical notes. First, they are presented in the following order: we start with the polar type regimes (liberal democracy, communist dictatorship, and patronal

Table 3.5. Annexation of elites by the leading political elite in the six ideal type regimes.

	Economic elite	Media elite	Cultural elite	Administrative elite	Law enforcement elite	Political elite (opposition)
Liberal democracy	No	No	No	No	No	No
Communist dictatorship	Fully	Fully	Fully	Fully	Fully	n.a.
Patronal autocracy	Partially (with merger)	Partially	Partially	Fully	Fully	Partially (with merger)
Conservative autocracy	Partially (only state)	Partially (only state)	No	Fully	Fully	No
Market-exploiting dictatorship	Partially	Partially	Partially	Fully	Fully	n.a.
Patronal democracy	Partially (with merger; shared by pyramids)	Partially (shared by pyramids)	Partially (shared by pyramids)	Partially (shared by pyramids)	Partially (shared by pyramids)	No

202 The ideal typical presentation only marks that parts of certain elites are incorporated. The exact number or ratio of incorporated elite members is an empirical question, to be determined case-by-case.

autocracy), which are followed by the three "intermediary" types (conservative autocracy, market-exploiting dictatorship, and patronal democracy) into which the three polar types can typically develop if they break down. Second, **the ideal typical elite structures are going to be illustrated by isosceles triangles** placed next to each other in certain configurations. We provide legends for these figures, and we want to emphasize that **one should not read more into them than what the legends say**. In particular, the size of these triangles and how much they overlap (in cases of annexation) are merely a matter of editing and do not indicate either absolute sizes or relative ratios. The only exception from this rule is patronal democracy, where the opposition patronal pyramid is ideal typically smaller than the ruling patronal pyramid. But the exact difference in their size or in other cases the exact sizes and relative ratios (of annexation) are all questions of empirical research, which should yield different answers case-by-case.

3.7.1. Elites in the Three Polar Type Regimes

3.7.1.1. Liberal democracy: autonomous elites, democratic political elite

The elite structure of an ideal typical liberal democracy is presented in Figure 3.3. **The leading political elite** in this regime can be called **democratic** because (1) it respects the autonomy of other elites even within the public sphere and (2) it is particular to ideal typical liberal democracies. Therefore, we can observe **autonomous elites**, because in such a regime the separation of social activities as well as the division of powers within the political sphere results in a society in which no elite is dominant. **The political elite only defines the range of options for the other elites** via setting the legal framework, but it does not interfere with the executive decisions of any members or groups of them. **Political opposition is legal** and can also operate unhampered [→ 4.3].

In the post-communist region, the country closest to the ideal type liberal democracy is **Estonia** [→ 7.3.2.2]. According to a Freedom House report, Estonian media are legally protected and largely free of overt political influence, whereas media ownership is also dominantly private and subordinated to business interests rather than political interests (FH notes "increased commercialization and undeclared advertising" as problems).[203] The economy has been dominated by entrepreneurs, and not oligarchs, in competitive markets, and the state has adhered to conservative-liberal economic program since the regime change.[204] Naturally, separated spheres and—as in Figure 3.3—isolated triangles do not mean there is no connection between these elites. Lobbying is ideal typical in liberal democracies [→ 5.3.1] and its reform has long been a topic in Estonian politics. There have also been corruption scandals—the most serious ones being those of former Minister of the Environment Villu Reiljan who was convicted by Estonian courts for seeking a bribe of ca. €100.000 and favored a long-time supporter of his party in a land swap case, too.[205] Estonian politics has not annexed the economy, and there are no informal patronal networks

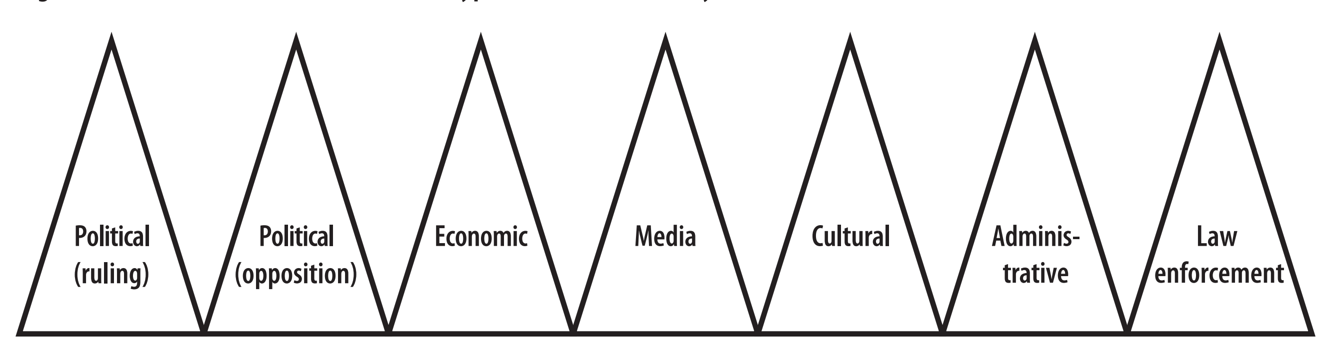
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[203] Pettai and Ivask, "Estonia."

[204] Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*, 96–137.

[205] Lumi, "Comparative Insight into the Status of the Lobbying Regulation Debate in Estonia."

Figure 3.3. Autonomous elites in an ideal typical liberal democracy.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites.

or oligarchs either. Opposition parties have also been strong, law enforcement is normative and due to the proportionate electoral system Estonian governments have usually been coalitional, with numerous changes of government.[206]

3.7.1.2. Communist dictatorship: incorporated elites, totalitarian political elite

The elite structure of an ideal typical communist dictatorship is presented on Figure 3.4. The leading political elite in this regime can be called a totalitarian political elite, because it does not respect the autonomy of other elites at all and radically eliminates boundaries between the various types of social action as well as the division between the branches of power. Therefore, we can observe incorporated elites. Ideal typically, elites beyond the leading political elite have no form of autonomy, but they can only be placed within a unified nomenklatura ruled by the state party. The organizations of the incorporated elites are the party's transmission belts, that is, they are merely the carriers and executors of the will of the Marxist-Leninist party [→ 3.5.2]. These may include labor unions, women's associations, academia, and so on. Only the leading figures among these "sub-elites" can ideally hope to make it into the broad governing body of the true political elite, the central committee of the communist party, while only the leaders of the secret service and military elite are on occasion included in the smaller, actual decision-making bodies, the political committees. Political opposition **is illegal**, and every group opposing the system is persecuted.

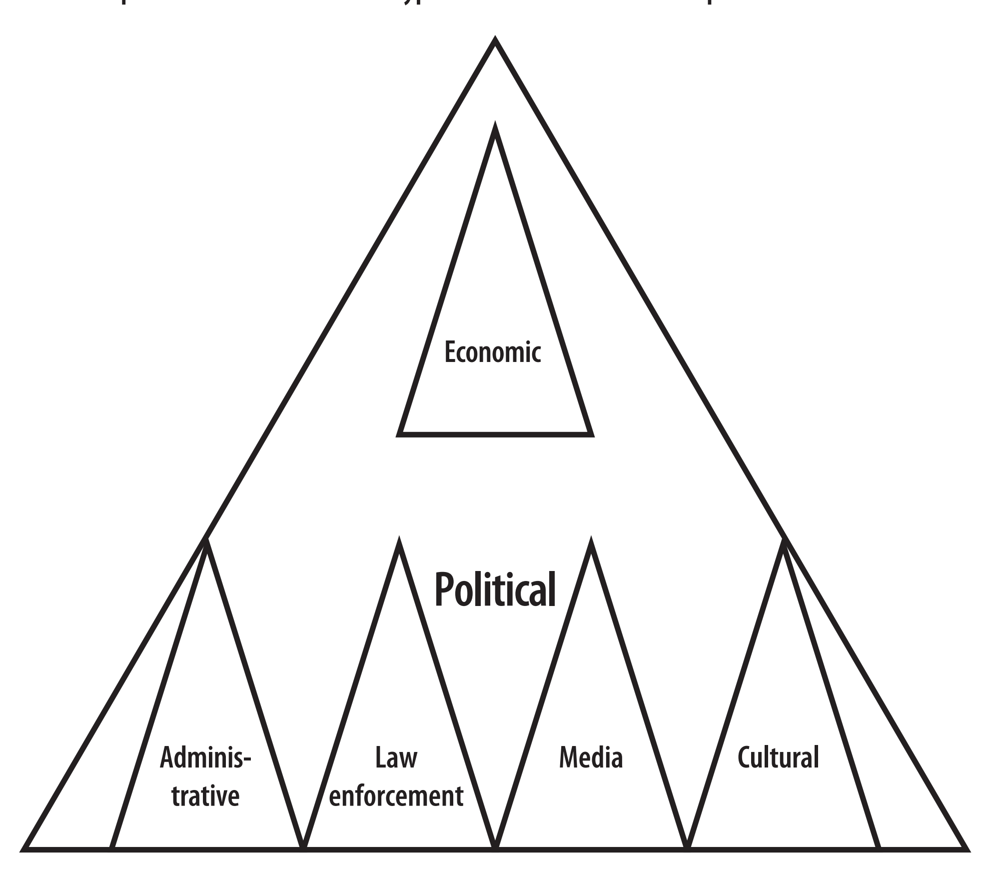
While every communist dictatorship had a similar pattern of incorporated elites, we may take the example of **the Soviet Union** for illustration. In his book *Soviet Politics in Perspective*, Richard Sakwa writes that the Communist Party of the Soviet Union "was in effect the senior executive branch of Soviet government where decisions were made or confirmed. [This] was a natural consequence of the constitution's rejection of the separation of powers."[207] He also explains that the party controlled the state and governmental systems through the use of party groups in institutions and mass organizations, a vast network of party organizations, appointments through the nomenklatura, and a strict system of mon-

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[206] Mikkel, "Patterns of Party Formation in Estonia: Consolidation Unaccomplished."

[207] Sakwa, *Soviet Politics in Perspective*, 96–97.

Figure 3.4. Incorporated elites in the ideal typical communist dictatorship.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites. Overlap represents annexation.

itoring cadres in executing top-down instructions.[208] As private ownership was practically eliminated, there were no private institutions, media or culture either. On the contrary, the respective elites were under the control of the party, which fulfilled the function of "socialization" through a vast agitation and propaganda (agitprop) network [→ 4.3.1.2].[209] All censorship and communist bodies were formal, just as the subordination of all non-political elites to the totalitarian political elite. Opposition was not tolerated either, not even inside the party where factions were banned early on.[210]

3.7.1.3. Partonal autocracy: patronalized elites, monopolistic patronal political elite

The elite structure of an ideal typical patronal democracy is presented in Figure 3.5. **The leading political elite** in this regime can be called **monopolistic patronal political elite**, first, because it subjugates other political elites into its patronal network (a process that

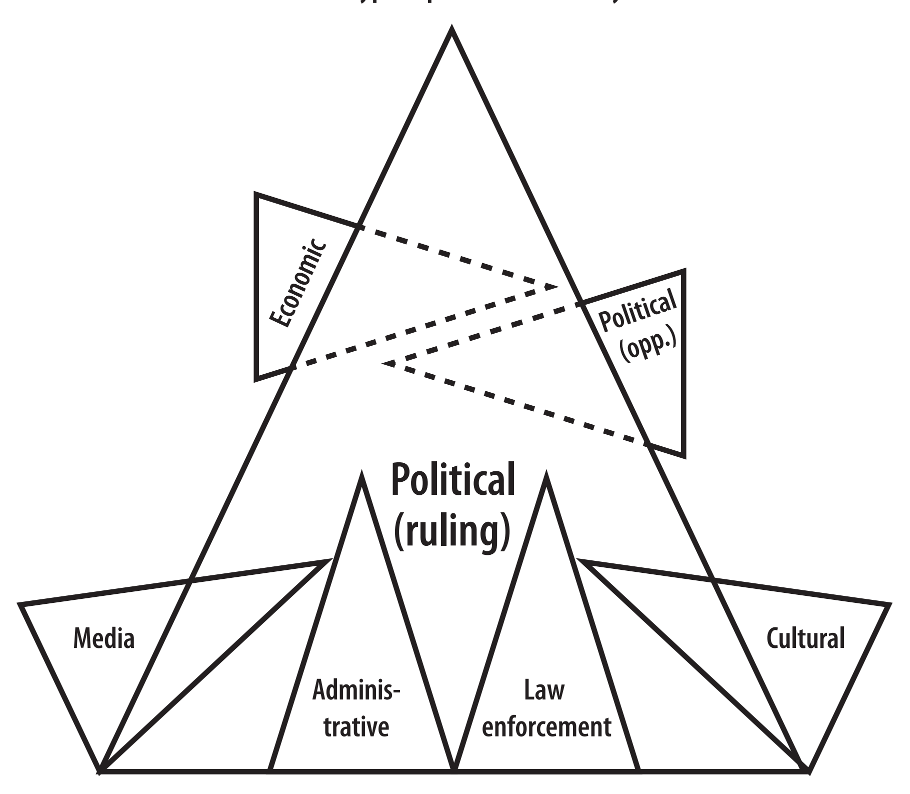
[208] Sakwa, *Soviet Politics in Perspective*, 97–98.

[209] Sakwa, *Soviet Politics in Perspective*, 100.

[210] Sakwa, *Soviet Politics in Perspective*, 26–27.

is termed **patronalization**), and second, because it is the only political elite that does so. Therefore, we can observe **patronalized elites**. As opposed to (full) annexation of elites in communist dictatorship, the subjugation of elites here is not total. Indeed, the elites belonging to the political sphere are fully patronalized, following the monopolization of political power by the ruling elite, but some segments of the elites of other spheres of social action remain outside the single-pyramid system's dominant network's chain of command. Nevertheless, these **independent elites are lower level ones, certainly in no position to shape the regime, whereas those who do matter** (that is, the top members of the respective elites) **are annexed**.

Figure 3.5. Patronalized elites in the ideal typical patronal autocracy.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites. Overlap represents annexation and dashed lines, merger.

Annexed **elites are not *de jure* incorporated but *de facto* subjugated**. In other words, while the communist ruling elite (the nomenklatura) is a formal, bureaucratic phenomenon, the ruling elite of a patronal autocracy (the adopted political family) is an **informal phenomenon**, composed of an aggregate of formal and informal positions ordered into a patronal network. Furthermore, the phenomenon of **merger** prevails. On the one hand, the patrons of the single-pyramid patronal network have both political and economic power (while formally having only one of these), whereby **they become indistinguishable in the sense of belonging to the political elite or the economic elite**. On the other hand, **the ruling and the opposition political elites are merged**, too, with the main opposition parties serving the interests of the leading political elite, since they are either fake or do-

mesticated by the adopted political family. Independent members of the opposition are either marginalized or liquidated [→ 3.3.9].

Two paradigmatic cases of patronal autocracy, **Russia** and **Hungary** show monopolistic political elites and high level of patronalization. András Bozóki describes post-2010 Hungary as follows: "The center of the system is [...] the patriarchal head of the family [...]. Around him are concentric circles of essential, influential, and interchangeable supporters. Although the Parliament can vote by a two-thirds majority, the members of the parliamentary group are selected by Orbán. The same is true of the leaders of all institutions that were previously independent of the government. [...] The model of influence of the mafia state is the informal advocacy of largely 'family' nature associated with single-centered power and the person of the leader."[211] Bozóki analyzes influential *de jure* political and economic actors and how they merge in a single ruling elite, pointing out that they are dependent on Orbán who maintains control through "systematic existential threats, propaganda, censorship, co-optation, demonstrative criminalization, discriminatory law enforcement and similar techniques."[212] Ledeneva describes Putin's "sistema," its internal culture and the informal patronalization of institutions and people in a similar manner.[213] The patronalization of media elites happens through economic means and most independent journalists are forced into a non-elite, not influential status in a dominated sphere of communication [→ 4.3.1.2]. Whereas cultural elites in both countries are under what Bozóki calls, "instead of cultural battles *(Kulturkampf)*, battles against culture."[214] Opposition parties are also neutralized and partially incorporated, and the two countries represent cases for all techniques explained above.[215]

3.7.2. Elites in the Three Intermediate Regime Types

3.7.2.1. Conservative autocracy: partially autonomous elites, authoritarian political elite

The elite structure of an ideal typical conservative autocracy is presented on Figure 3.6. The leading political elite in this regime can be called authoritarian (as opposed to the democratic one in liberal democracy), because it does not respect the autonomy of other elites within the public sphere. Therefore, we can observe partially autonomous elites. On the one hand, the elites belonging to the sphere of political action, the administrative and law enforcement elites are subjugated to the rulers, who become the de jure and de facto top decision-makers concerning these elites' executive actions. As a consequence, the state in a conservative autocracy is ideal typically more expanded than it is in liberal democracies, which is the regime type typically preceding conservative autocracy.

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211 Bozóki, "A Párttól a Családig"[From the Party to the Family], 236–37.

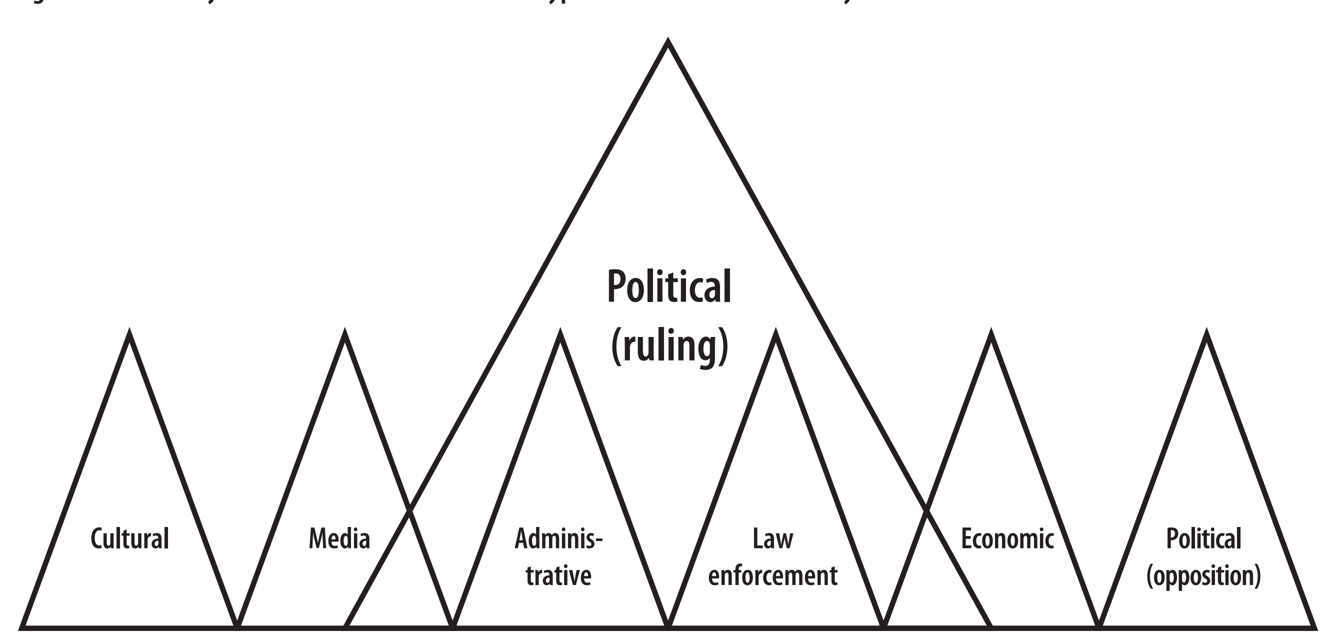
212 Bozóki, "A Párttól a Családig"[From the Party to the Family], 252.

213 Ledeneva, *Can Russia Modernise?*

214 Bozóki, "Nationalism and Hegemony," 467–73.

215 Sz. Bíró, "The Russian Party System"; Ripp, "The Opposition of the Mafia State," 603–7.

Figure 3.6. Partially autonomous elites in an ideal typical conservative autocracy.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites. Overlap represents annexation.

On the other hand, in this type of regime **the political opposition is legal** and can operate unhampered; **the cultural elite**, being ideal typically separated from political action, **remains independent**; and **the economic and media elites are incorporated only in their public parts, while their private elements remain autonomous**. Although the legal framework regulating their activities may change, they remain free in making their own executive decisions.

While there is no fully developed conservative autocracy in the region [→ 7.2.1], **Poland** has seen conservative autocratic attempt since 2015. Accordingly, we can observe the PiS government as a formal body increasing its influence over state-owned media (featuring strong pro-government and anti-Soros propaganda)[216] and also in the economy, with growing share of state-owned enterprises and varieties of state control over the private sector.[217] Yet these regulations are normative and there are no PiS oligarchs, leaving the economy non-patronal. In spite of the strong Church relations and ideology implementation elevated on the rank of central politics [→ 3.5.3.2], Poland still features independent opposition, media and cultural elites as well.[218] Yet in a consolidated conservative autocracy, independent opposition would be neutralized by bureaucratic means,[219] whereas the Polish opposition still has the potential to reverse the autocratic attempt via electoral correction [→ 4.4.4].

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216 Wójcik, "Poland."

217 Kozarzewski and Bałtowski, "Return of State-Owned Enterprises in Poland."

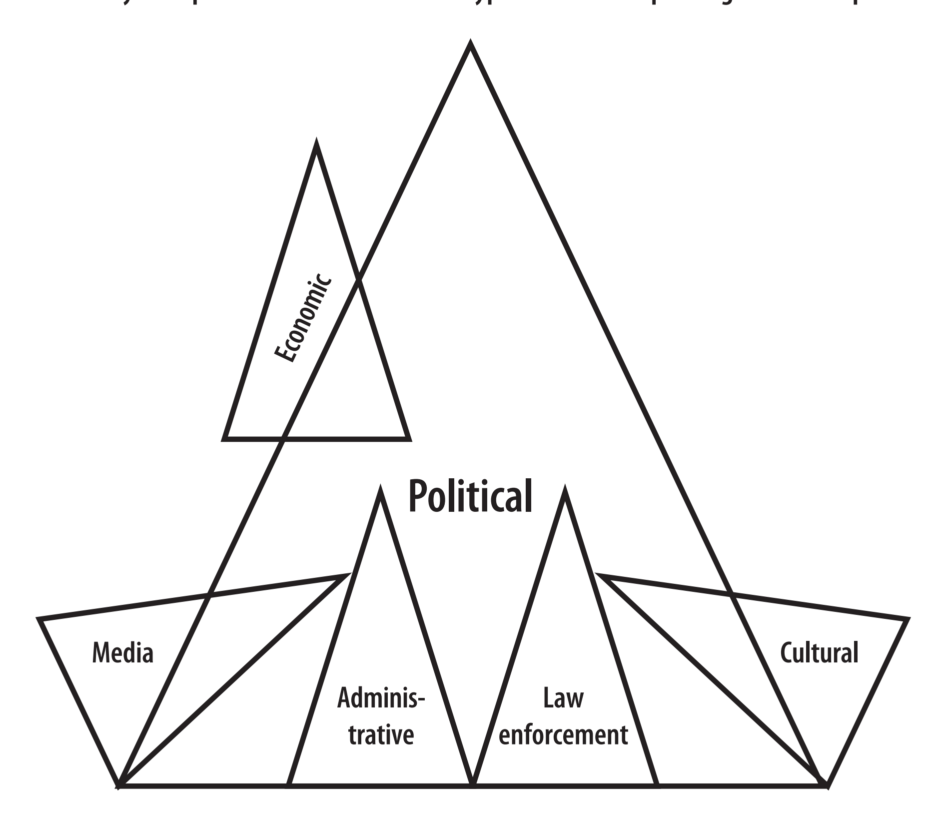
218 Wójcik, "Poland."

219 For a close, albeit not post-communist example, see Raby, "Controlled, Limited and Manipulated Opposition under a Dictatorial Regime."

3.7.2.2. Market-exploiting dictatorship: partially incorporated elites, dominant political elite

The elite structure of an ideal typical market-exploiting dictatorship is presented on Figure 3.7. **The leading political elite** in this regime can be called **dominant political elite** (as opposed to the totalitarian one in a communist dictatorship), because it leaves little or no autonomy to other elites, blurring the boundaries between the various types of social action as well as the division between the branches of power. Therefore, we can observe **partially incorporated elites**. On the one hand, the elites belonging to the sphere of political action, **the administrative and law enforcement elites are subjugated** to the rulers, who **become the *de jure* and *de facto* top decision-makers** concerning these elites' executive actions. On the other hand, **economic, media and cultural elites are partially incorporated**, that is, left with a certain degree of autonomy under the heavy regulations of the state. There-

Figure 3.7. Partially incorporated elites in the ideal typical market-exploiting dictatorship.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites. Overlap represents annexation.

fore, while in a communist dictatorship (which typically precedes market-exploiting dictatorship) the only genuine elite is the ruling elite, the nomenklatura of a market-exploiting dictatorship is not exclusive and other elites exist outside of it. What is more, in spite of the substantial magnitude of state intervention as well as the direct influence in the executive decisions of some companies, there is a large number of **autonomous major entrepreneurs** as well, **comprising the top of the economic elite**. This follows the market-exploiting

nature of the regime, which allows for a substantial private sector to serve the political/ economic goals of the party state [→ 5.6.2.2].

However, it is only the nomenklatura that is allowed to have formal political organization. The elites leaning out of the party state network can only enjoy the status of an elite individually, and no one can organize vis-à-vis the leading political elite. Thus, **political opposition is illegal** and every group opposing the system is persecuted.

Among the post-communist countries we consider, **China** is the country that can be best approximated by the model of market-exploiting dictatorship. According to Szelényi and Mihályi, "during the 1980s China was building 'capitalism from below' and […] many of the wealthiest people in China even during the early 2000 lists of rich Chinese came from humble background (like the Liu brothers or the Yang dynasty). Even those who seem to have fit the image of political capitalists (like Rong) were not political capitalists in the sense we know from post-communist Russia."[220] The economic elite's embeddedness is shown by the major entrepreneurs who either became rich due to party connections or needed party protection, but some of the wealthiest Chinese, like Jack Ma, made their wealth from innovative IT or other high tech industries. And while entrepreneurs like Ma have been enrolled in the Chinese communist party, they still enjoy considerable autonomy in making executive decisions in their own companies, unlike state enterprise leaders in pre-regime change communist dictatorships.[221] On the other hand, media and culture are heavily restricted in China, and the Communist Party of China (CPC) acts as a state party that dominates the political landscape.[222]

3.7.2.3. Patronal democracy: partially patronalized elites, competing patronal political elite

The elite structure of an ideal typical patronal democracy is presented in Figure 3.8. **The leading political elite** in this regime can be called **competing patronal political elite**, as opposed to the monopolistic one in patronal autocracy. For (1) it subjugates other political elites into its patronal network (a process that is termed **patronalization**), and (2) the leading political elite is not the only political elite that does so. Indeed, **the opposition political elite also maintains an informal patronal network** that also patronalizes some parts of the non-political elites.

In this regime, we can observe **partially patronalized elites**. Every non-political elite group is divided into three parts. First, there is a part patronalized by the leading political elite; second, there is a part patronalized by the political opposition. Both patronal pyramids include some of the non-political elites, although the ruling elite's patronal network is ideal typically larger that of the opposition political elite.[223] Finally, there is also an autonomous part, which maintains equal distance from the two groups, that is, having equally good relationship but steering clear of the patronal domination of any side. That **autono-**

[220] Szelényi and Mihályi, *Varieties of Post-Communist Capitalism*, 198.

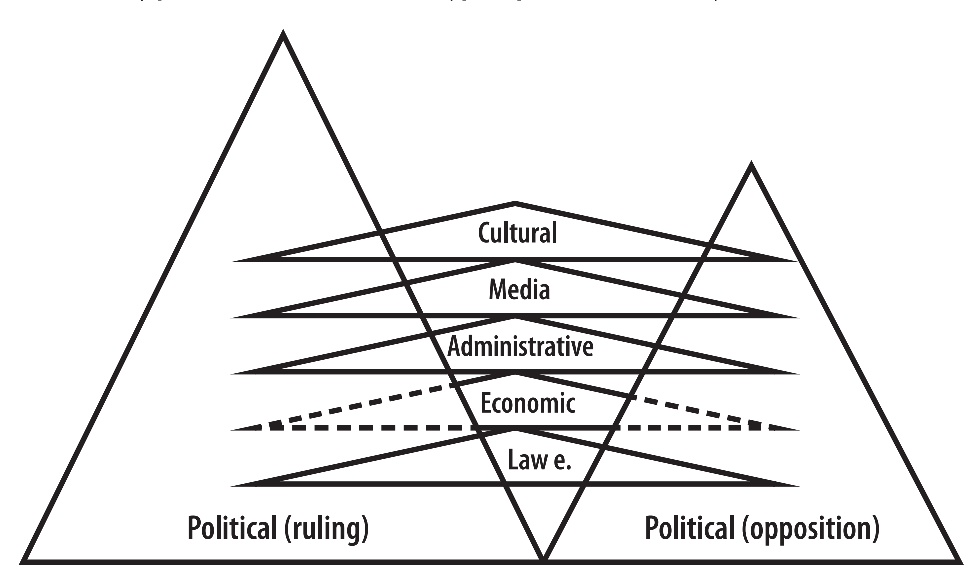
[221] Brant, "Why Is Jack Ma a Communist Party Member?"

[222] Heilmann, *China's Political System*.

[223] If the opposition is not unified, this part may be split, too, among multiple opposition patronal networks. For the sake of clarity, we present the case where the opposition political elite is unified.

mous actors can exist is ensured by the **competition of patronal pyramids**, where no political elite has the monopoly of political power and cannot dominate the spheres of social action as a consequence. Furthermore, the phenomenon of **merger** appears, for the patrons of the patronal networks have both political and economic power, whereby they become **indistinguishable in the sense of belonging to the political elite or the economic elite**.

Figure 3.8. Patrially patronalized elites in ideal typical patronal democracy.



Legend : Every triangle represents an elite and the tops of the triangles, the tops of the elites. Overlap represents annexation and dashed lines, merger. The opposition pyramid is ideal typically smaller than the ruling one.

Ukraine has been a patronal democracy since the Soviet Union collapsed. Based on extensive research, Minakov lists the positions that have been controlled by the clans comprising the Dnipropetrovsk and the Donetsk regional groups, both of which cover large portfolios of the above listed elite groups. In the Dnipropetrovsk group, the informal patronal network of Privat Group has controlled separate MPs, parliamentary parties and factions (from 1998 to today), deputy heads of the National Bank, managers and Board members of state-owned gas and oil companies, whereas the Kuchma-Pinchuk clan has been a low-profile clan since 2005, with control over separate MPs, deputy-ministers and vice-general prosecutors. In contrast, the Donetsk regional group is comprised of "old" clans that have controlled the Party of Regions, vice prime ministers, governors, MPs, separate ministers and deputy ministers, the Tax Administration etc.; "new" clans that have controlled governors and mayors of Donetsk (1996–2014), positions in the Party of Regions, Opposition Bloc, separate MPs, parliamentary factions (1998–present), general prosecutors, separate ministers etc.; and some smaller and newer clans that have controlled judiciary/separate courts, the Central Electoral Commission, separate ministers and state-owned companies.[224] Amidst intense patronal competition, Ukrainian oligarchs have had considerably more autonomy than Russian ones, and since the Orange Revolution [→

[224] Minakov, "Republic of Clans," 234–37.

4.4.2.3] the empowered oligarch-controlled parliament has guaranteed that poligarchs can be kept in check.[225]

To sum up, **in post-communist regimes the process of elites becoming relatively autonomous began during the early regime-change process, but soon the alignment into rival political-economic patronal networks followed**. In those polities where the rotation of rival political forces persisted over time, there was a better chance for autonomous economic, cultural, media and other elites to take a hold, or at least attach themselves to competing patronal networks that are unable to secure power exclusively, finding subsistence under their wings. This latter scenario is perhaps the best outcome for countries further outside the Western civilization and the EU's gravitational pull [→ 7.4.4], securing the multi-pyramid arrangement of patronal democracy instead of the single-pyramid patronal network that structures the actors of patronal autocracies.

225 Markus, "The Atlas That Has Not Shrugged," 103. Also, see Markus and Charnysh, "The Flexible Few."

4. Politics



4.1. Guide to the Chapter

This chapter deals with **comparative conceptualization of political phenomena**. It unfolds along the lines of Table 4.1, which contains many of the concepts that are introduced, sorted according to the three polar types from the six ideal type regimes of the triangular conceptual space.

The chapter starts by describing the various types of civil legitimacy and how the common good is interpreted, by which institutions it is maintained and political power is applied. In Part 4.3, we use one of these frameworks, the framework of public deliberation, to describe liberal democracies' main political processes and how the same elements function in communist dictatorships and patronal autocracies. We identify the general attitude of these regimes to the institutions of public deliberation and show how that attitude as well as the construction of political institutions follows from their ideological framework. This part encompasses several topics: (1) media and the spheres of communication, including the reorganization of media markets in patronal autocracies; (2) policy- and legitimacy-questioning protests and pro-government rallies, interest group politics and a typology of party systems; (3) a typology of campaigns and elections in the three polar type regimes and a description of referenda; (4) the differentiation of public policy from patronal and power policy, to which certain types of laws—limited or instrumental—and legislatures fit; and (5) the situation of courts, prosecution, and the institutions of state coercion from white through grey to black coercion. Also in this part, we describe various forms of democratic and autocratic legalism as specific threats to the stability of regimes and legal systems.

While Part 4.3 is devoted to the conceptualization of separate institutions, Part 4.4 describes in an ideal type manner the main processes which keep the ideal type regimes stable and self-sustaining. We call these defensive mechanisms and describe them in three political regimes: liberal democracy, patronal democracy, and patronal autocracy. We show how the separation of branches of power preserves liberal democracy, the separation of networks of power helps sustain patronal democracy, and the separation of resources of power guarantees the stability of patronal autocracy. With respect to the democracies, we introduce the terms autocratic attempt and breakthrough as well as anti-patronal transformation, all of which will be instrumental in describing the so-called color revolutions of Eurasia. Scrutinizing the cases of color revolutions, we argue that successful cases should be treated as defensive mechanisms of patronal democracy and not as events that led toward Western-type liberal democracies. With respect to patronal autocracy, we describe unsuccessful color revolutions, the monopolistic structure of such regimes and the use of the instruments of public authority by the chief patron that ensures these. The chapter ends with a description of the problem of succession in such regimes, lame duck presidents and the opportunity of democratic regime change.

Table 4.1. Political phenomena in the three polar type regimes (with the topics of the chapters' parts).

	Liberal democracy	Patronal autocracy	Communist dictatorship
INTERPRETATION OF THE COMMON GOOD	constitutionalism	populism	Marxism-Leninism
	electoral civil legitimacy	electoral civil legitimacy	non-electoral civil legitimacy
	public deliberation of the interpretation of the common good (the legitimate interpreters are the citizens)	patronal appropriation of the interpretation of the common good (the legitimate interpreter is the chief patron)	bureaucratic appropriation of the interpretation of the common good (the legitimate interpreter is the state party)
	legal-rational authority	substantive-rational authority	substantive-rational authority
INSTITUTIONS OF PUBLIC DELIBERATION	open sphere of communication free speech	dominated sphere of communication crowding out/ghettoization	closed sphere of communication censorship
	competitive/two-party system	dominant-party system with competitive fringe / fake opposition	one-party system
	marketing campaign	loyalty-structuring campaign	rights-suspending campaign
	fair elections	manipulated elections	uncontested elections
	formal decision-making (in the parliament) MPs are politicians decision-making legislature	informal decision-making (outside the parliament) MPs are political front men transmission-belt legislature	formal decision-making (outside the parliament) MPs are party cadres transmission-belt legislature
	rule of law (equality before the law equality after the law)	law of rule (equality before the law inequality after the law)	lawlessness (inequality before the law inequality after the law)
	limited law citizens subordinated to law	instrumental law law subordinated to the adopted political family	instrumental law law subordinated to the party
	normative law enforcement	politically selective law enforcement	politically selective law enforcement
	impartial jurisdiction	politically selective jurisdiction	show trial
	evidence (crime committed, process launched automatically)	kompromat (crime committed, process launched on the basis of political decision)	fabricated evidence (crime not committed, process launched on the basis of political decision)
DEFENSIVE MECHANISMS	defensive mechanisms for pluralism	defensive mechanisms against pluralism	n.a.
	separation of branches of power	separation of resources of power	n.a.
	free civil society	subjugated civil society	non-existent civil society
	policy-questioning protests peaceful change of government (without regime change)	legitimacy-questioning protests regime change / systemic reproduction	no protests regime change (lawful revolution)

4.2. Civil Legitimacy and the Interpretation of the Common Good

4.2.1. Civil Legitimacy as the Basis of Modern States

Political action rests upon the use of political power, that is, (1) legitimate violence that (2) the state holds a monopoly on in the six ideal type regimes [→ 2.2]. Both halves of the definition are important. On the one hand, that political power is **legitimate** implies that the state must have a quality for which the people accept its domination.[1] On the other hand, that the state has a "monopoly" of political power implies that **the state is the primary institution of the sphere of political action**. Therefore, if we are to analyze phenomena of this sphere, we must consider **how state decisions are made**, through which institutions and with the interaction of which political actors.

The state's legitimacy has rested upon the notion of **popular sovereignty** since the Age of Enlightenment. Earlier, leaders could rely on so-called numinous legitimacy (divine authority) which implied no notion of the people: the state was not legitimized on the grounds that it serves either the popular will or the common good but that domination follows from sanctity.[2] However, in modern times states rely on **civil legitimacy**, meaning the leading political elite always claims it is a representative of the popular will and/or (therefore) it serves **the common good**, that is, the interest of the people.[3]

Accordingly, **civil legitimacy prevails in all three polar type regimes.** Moreover, all three call themselves some sort of "democracy," referring to the fact that they indeed realize a form of the people's rule. Liberal democracy is either named as such or as a "constitutional democracy;"[4] patronal autocracy is called "sovereign democracy"[5] or "illiberal democracy;"[6] and communist dictatorship is called a "people's democracy."[7] However, as the differences of these terms already imply, in the three polar type regimes **civil legitimacy is interpreted in different ways**, with different narrative panels and in the context of different ideological frameworks. This is directly related to the second question, namely how state decisions are made, for the different narratives **legitimize different forms of state decision-making**.

Table 4.2 sums up three narratives: constitutionalism, populism, and Marxism-Leninism, which provide the framework of civil legitimacy in liberal democracy, patronal autocracy, and communist dictatorship, respectively. The general difference between them lies in **which actor or process they delegate the right to interpret the common good**. Though it might seem self-evident sometimes, "common good" can hardly be defined in

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1 Weber, *Economy and Society*, 212–17.

2 Sternberger, "Legitimacy."

3 Diggs, "The Common Good as Reason for Political Action."

4 Graber, Levinson, and Tushnet, *Constitutional Democracy in Crisis?*

5 Okara, "Sovereign Democracy."

6 Orbán, "Speech at the 29th Bálványos Summer Open University and Student Camp."

7 Shilling, "'People's Democracy' in Soviet Theory-I."

an objective way. Rather, each legitimacy framework points to certain people (or a person) who shall have the right to define the common good, that is, the popular interest, and the state is legitimized by the fact that the goals of its actions are set, directly or indirectly, by the legitimate interpreter.

Table 4.2. Ideologies of civil legitimacy in the three polar type regimes (constitutionalism, populism, Marxism-Leninism).

Constitutionalism (in liberal democracy)	**Populism (in patronal autocracy)**	**Marxism-Leninism (in communist dictatorship)**
universalistic protection of human dignity represented by the citizens	particularistic protection of the nation represented by the adopted political family	particularistic protection of the working class represented by the party
individualist	collectivist	collectivist
universalist on humanistic base	nationalist on clan base (amoral familism)	internationalist on class base
unlimited moral obligation	limited moral obligation	limited moral obligation
pluralism	anti-pluralism (majoritarianism)	anti-pluralism
→ PUBLIC DELIBERATION of the interpretation of the common good: ensuring a variety of competitive processes and channels for the expression and realization of interests and values (the people are citizens)	→ PATRONAL APPROPRIATION of the interpretation of the common good: ensuring ultimate authority of the adopted political family in state decision-making without legitimate opposition or criticism (the people are servants)	→ BUREAUCRATIC APPROPRIATION of the interpretation of the common good: ensuring ultimate authority of the party in state decision-making without legitimate opposition or criticism (the people are subjects)

The next three parts are devoted to the three ideological frameworks, elaborated for the three polar type regimes. Furthermore, we interpret these frameworks in Weberian terms of legitimate domination, and argue that each framework is a variant of legal authority. However, constitutionalism represents legal-rational authority, whereas populism and Marxism-Leninism aim at creating substantive-rational legitimacy—the latter with, and the former without, a revolutionary replacement of *de jure* institutions.

4.2.2. Civil Legitimacy in Liberal Democracy: Constitutionalism

In a liberal democracy, civil legitimacy is interpreted in the ideological framework of **constitutionalism**. Grounded in liberal political philosophy, the starting point of this narrative is the **individual citizen** and the respect for his **human dignity**, which implies that he has to be treated as a free man who has a say in how his life is run. In liberal democratic theory, as Walter F. Murphy explains, adults "as beings worthy of respect because of their very nature […] must enjoy a large degree of autonomy, a status principally attainable in

the modern world by being able to share in the governance of their community."[8] With this starting point, the constitutional state [→ 2.3.2] is obliged to:

- **respect the human dignity of everyone**, for every adult the state deals with—typically those who happen to be in its territory—are beings worthy of respect for their human dignity **(universalist on humanistic base)**;
- **defend the rights of every person**, meaning the state should not exclude certain people or groups but treat every human equally **(unlimited moral obligation)**;
- **ensure a public realm where no one's interest or opinion is suppressed**, for if every adult individual is equally respected, that means everyone's views, values and interests are equally legitimate and representable **(pluralism)**.

The type of institutional setting this ideology legitimizes is what we call **public deliberation**.[9] "Public deliberation" denotes that the question of how political power shall be used is decided in deliberation, whereby the variety of values and interests of the people can **converse and compete as legitimate alternatives**. This follows from the conviction that no one's views should be suppressed in the public realm and all adult citizens are respected equally as human beings.[10] In line with this, the state creates institutions of public deliberation: as Philippe C. Schmitter and Terry Lynn Karl write, liberal democracy "offers a variety of competitive processes and channels for the expression of interests and values—associational as well as partisan, functional as well as territorial, collective as well as individual. All are integral to its practice."[11]

In finer detail, we can define public deliberation—inspired by Schmitter and Karl as well as the procedural minimum of Robert Dahl's "polyarchy"[12]—as the following chain of public events:

1. **discussing**, where every citizen [→ 3.5.1] of a polity has a chance to express his views on political matters and confront them with the views of other citizens in peaceful debate, where other opinions are treated as legitimate and hence freely representable;
2. **associating**, where citizens decide voluntarily whether or not to gather together and form autonomous and relatively independent associations and organizations like interest groups and parties, representing their interests in competition with other citizens;
3. **electing**, where values and interests come to be represented among decision-makers (and in what proportion), decided in a peaceful, non-violent contest where (1) practically all citizen can participate either as candidates or as voters and (2)

8 Murphy, "Constitutions, Constitutionalism, and Democracy," 3.

9 Cf. Bohman, *Public Deliberation*.

10 Goodin, *Reflective Democracy*, 1–22.

11 Schmitter and Karl, "What Democracy Is. . . and Is Not," 6.

12 Dahl, *Polyarchy*.

representation depends on the people's actual opinion expressed in voting (fairly conducted and honestly counted elections);

4. **lawmaking**, where laws and regulations, that is, collective norms and choices that are binding on the society and backed by state coercion are made by the elected representatives on the basis of majority rule, deciding on the use of political power;

5. **enforcing**, where political power is actually used, meaning the laws and regulations are implemented and the state makes the people follow them (relying on its monopoly of the legitimate use of violence).

In short, the process of public deliberation can be understood as the process of the popular interpretation of the common good, whereby the citizens' will is shaped in debates (Step 1), manifests in civil action (Step 2) and elections (Step 3), institutionalizes in the person of full-time representatives (Step 4), and gets enforced as rules of the community by political power (Step 5). However, the separation of these phases is for analytical reasons and does not imply that these phases are isolated: that Step 2 starts as Step 1 ends, Step 3 starts and Step 2 ends, and so on. Rather, **the subsequent phases presuppose the existence of the previous phases, which however do not have to end as a new phase starts**. The phases extend into each other. To highlight one particular example, discussing never stops and indeed reaches its peak in the electing phase, during electoral campaigns.

One last feature that must be added to public deliberation is **cyclicality**, meaning that the process and the five steps are repeated at specified intervals. This is to ensure that the people can choose new rulers if they become dissatisfied with the ones currently representing them.[13] Thus, public deliberation is inseparable from the notion of **accountability**, and the essence of cyclicality is the orderly revision of decisions about the use of political power made earlier. In Schmitter and Karl's words, "[democratic] rulers are held accountable for their actions in the public realm by citizens, acting indirectly through the competition and cooperation of their elected representatives."[14] Furthermore, the orderly functioning of public deliberation also ensures that the outcome of democratic competition is uncertain, and no contestant is protected by virtue of his political position. As Adam Przeworski expressed it, liberal democracy can be described as **institutionalized uncertainty**, where institutions help the changing will of the people manifest in the composition of the rulers.[15]

The constitution, as it appears in the expressions "constitutionalism" and "constitutional state," **is the institutional guarantee of public deliberation** that must be upheld by the state.[16] As Kim Lane Scheppele points out, "constitutionalism is democracy reinforcing because it binds all branches of government to two forms of constitutional constraint: (1) requirements that the state protect and defend the dignity and liberty of individuals so that they may sustain, among other things, the capacities to be democratic citizens; and (2) requirements that all sources of public power be subject to binding legal checks that, among other things, ensure that leaders stay within legal limits and guarantee the orderly

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[13] On representation, see Urbinati, "Representative Democracy and Its Critics."

[14] Schmitter and Karl, "What Democracy Is. . . and Is Not," 4.

[15] Przeworski, *Democracy and the Market*.

[16] Sartori, "Constitutionalism."

rotation of leadership in response to shifting democratic majorities."[17] Using our terminology, the constitution is an institutional guarantee because it requires that (1) the state has an obligation to fight off tendencies which would violate the above-described process of public deliberation (to ban parties posing a direct threat to constitutional order etc.),[18] and (2) the rulers are limited to the degree that they, in accordance with constitutionalism, cannot violate the process of public deliberation, not even by majority rule. As Murphy summarizes, constitutionalism "enshrines respect for human worth and dignity as its central principle. To protect that value, citizens must have a right to political participation, and their government must be hedged in by substantive limits on what it can do, even when perfectly mirroring the popular will."[19]

4.2.3. Civil Legitimacy in Patronal Autocracy: Populism

In a patronal autocracy, civil legitimacy is interpreted in the ideological framework of **populism**. Unlike populism in the West, populism in the post-communist region typically lacks a bottom-up movement that would challenge the establishment and elevate the populist leader into power. Rather, populism is used in a top-down fashion, from a ruling position to legitimize the chief patron's rule.[20] This is achieved by interpreting civil legitimacy in a way that it **denies public deliberation in favor of unconstrained power of the leading political elite**. Naturally, this is not what the populist narrative says, but this is the consequence of populist reasoning when it is used by those in power.

Nominally, populism is on the same grounds as constitutionalism as it is also a form of civil legitimacy and claims to serve the common good.[21] However, the starting point of populism is **not the individual but a collective**: populists say they represent "the people" and the "volonté générale" (the general will)[22] or, when they are elected, they represent "the nation" and "the national interest."[23] What follows from this is that, in the populist narrative, **anyone who is against the populist is also against the people and the nation** and therefore not simply morally despicable but indeed **illegitimate**. As Jan-Werner Müller observes, populism "is a particular moralistic imagination of politics, a way of perceiving the political world that sets a morally pure and fully unified […] people against elites who are deemed corrupt or in some other way morally inferior. […] In addition […], populists are always anti-pluralist: populists claim that they, and only they, represent the people. […] The core claim of populism is thus a moralized form of **anti-pluralism**" (emphasis added).[24]

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[17] Scheppele, "Autocratic Legalism," 558.

[18] Fox and Nolte, "Intolerant Democracies." Also, see the famous "paradox of tolerance" in Popper, *The Open Society and Its Enemies*.

[19] Murphy, "Constitutions, Constitutionalism, and Democracy," 3.

[20] Ryabov, "The Reasons for the Rise of Populism in Developed Countries and Its Absence in the Post-Soviet Space."

[21] Pappas, *Populism and Liberal Democracy*, 57–63.

[22] Mudde, "The Populist Zeitgeist."

[23] Bozóki, "Broken Democracy, Predatory State, and Nationalist Populism."

[24] Müller, *What Is Populism?*, 19–20.

Declaring itself the only legitimate representative of the people, populism wrecks the logic of public deliberation that stands on the principle that everyone's views on political matters compete as equally legitimate alternatives. For if the populist leaders fend off every criticism and idea dissimilar to their own as "anti-nation," then discussing the use of political power becomes impossible as **different values and interests cannot be represented legitimately**. It is important to see that opposition in general is declared illegitimate, both now and in the future. This means that, when the people become dissatisfied with their leaders and want to support someone else, they too automatically become illegitimate: populism, in fact, **deprives the people themselves of the chance to change their minds legitimately**, turning against the legitimate populist. Therefore the process of public deliberation, even if it formally remains cyclical, essentially freezes: the people, no matter how wisely and rightfully they elected the leaders to advocate their interests, will have no other choice but to accept the way the populist leaders use political power. State decision-making is practically displaced from the hands of the people, and **the populist becomes the only legitimate interpreter of the common good**.

As a result, **citizens** who have been recognized as "the most distinctive element in democracies"[25] **are turned into servants** in a patronal autocracy [→ 3.5.1]. Though their rights may be reserved *de jure*, they are *de facto* disarmed in the ideological framework of populism (as well as the autocratic institutional setting it legitimizes). Second, some people, namely those in **opposition** to the populists are **excluded from the nation**, which means that they are deprived of the status that would entail a protection of their rights by the state.[26] In sharp contrast to constitutionalism's universalism on humanistic base, populism allows the chief patron to disregard those who do not support him on a nationalist base. However, unlike traditional nationalism, **the nationalism of the mafia state is not directed against other nations but against those within the nation** who are not part of the adopted political family, who are not subordinated to that family as clients, and the family's opponents. In other words, the "nationalist base" is no more than the **clan base** [→ 3.6.2.1], and all those who are not part of the chief patron's domain of control must bear the consequences for that. In this sense, the "nation" corresponds to the adopted political family and its appendages, from the head of the family down to the servants. The mafia state undertakes **particularistic** protection of their people vis-à-vis those against the chief patron's rule, and therefore the adopted political family undertakes only a limited moral obligation as a form of **amoral familism** [→ 3.6.2.4].

Third, the populist, equated to "the people" and "the nation" in his narrative, armors himself against external attacks as well. For in the populist narrative, foreign actors—multinational NGOs, political unions, supranational alliances or even influential individuals—can only be against the people's interest by definition, should they disagree with the populist or the way he uses power. In this context the reliance on popular sovereignty is transformed into the reliance on **national sovereignty**, whereby the populist represents the

25 Schmitter and Karl, "What Democracy Is. . . and Is Not," 5.

26 It should be mentioned at this point that we define populism for the purposes of our framework, that is, for its appearances in the post-communist region in general and patronal autocracies in particular. Therefore, we do not deal with so-called "inclusionary populists" who existed in Latin America. Cf. Mudde and Kaltwasser, "Exclusionary vs. Inclusionary Populism."

people, their interest and therefore, by definition, the national interest, which the critics of the populist disregard. This is the essence of Putin's "sovereign democracy" narrative,[27] and of Orbán's constant reliance on national sovereignty in his numerous debates with the EU.[28] In short, the populist can create non-accountability by deflecting foreign as well as domestic criticism, all of which strengthen him by reinforcing the image of "the defender of a besieged nation" in the populist narrative.

Fourth, if the populist is the legitimate representative of the people then, by definition, he is "capable of defining cases of national interest—doing so without constant debate, but rather representing the national interest by [his] nature," in the words of Orbán.[29] This means that in the populist narrative **the structured institutions of public deliberation lose their function**: the formation and mediation of the public will in a bottom-up fashion become superfluous, as the populist genuinely knows what the people want. Moreover, populists heavily criticize the institutions of public deliberation as corrupt, captured and distorted by the establishment ("deep state," "elites" etc.), thus creating a justification for changing them to their liking. More precisely, the populist argues there is a **direct connection** between him and the people: he claims that he personally recognizes the popular will and represents the national interest "by his nature," as Orbán put it, and therefore he seeks to **free the political arena from all intermediary institutions and procedures**.[30] Vladislav Surkov, Putin's ideologist who developed the concept of sovereign democracy, expounded on this aspect of the narrative by writing that in Russia there is a "deep" national spirit, "inaccessible to sociological polls, campaigning, threats, and other methods of direct study and influence," which Putin understands and elevates to the level of central politics. As Surkov writes, "[the] ability to hear and understand people, to see through them and all their depth and act accordingly—[this] is the unique and most important virtue of Putin's state. […] In this new system, **all state institutions are subordinated to a main task: trust-based communication and interaction between the supreme ruler and the citizens**. The various branches of government merge in the person of the leader, not being considered a value in and of themselves, but only to the extent that they provide a connection with him. […] In essence, **the society only trusts the head of state**" (emphasis added).[31]

Above, we outlined the consequences of populist argumentation. Yet, as "populism" is a hotly debated concept, there is still a need to make it clear which definition we find appropriate. We give a definition that uses our concepts to incorporate our novel insights about populism in Chapter 6, after a more detailed discussion of ideology [→ 6.4.3]. At this point and for the purposes of explaining why populism is a challenge to constitutionalism, it suffices to present **populism as a coherent unity of specific features**, unfolding along the lines of the following chain of reasoning (each step defining 1–1 feature of populism):

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27 Belousov, "Political Propaganda in Contemporary Russia."

28 Ablonczy, "General Narrative."

29 Orbán, "Megőrizni a létezés magyar minőségét" [Preserving the Hungarian quality of existence].

30 Makarenko, "Populism and Political Institutions."

31 Surkov, "Putin's Long State." We are indebted to Zoltán Sz. Bíró for the translation.

1. **the populist positions himself as the true representative of the people (reliance on popular sovereignty)**;[32] therefore,
2. **he does not enter the discussing phase of public deliberation** as he does not accept views different from his, or from that of "the people," as legitimate **(anti-pluralism)**;[33] therefore,
3. **he denies the structured institutions of mediation of the popular will** and declares himself a direct representative of the nation and its common good **(plebiscitary nature)**;[34] therefore,
4. **he argues institutions must serve a substantive goal**, meaning any state institution or law is to be upheld only if it serves the common good—defined by the direct representative, the populist—and can be overruled if it does not serve the common good **(majoritarianism, disrespect for rule of law)**;[35] therefore,
5. **he attacks those opposed to the substantive goal he set**, typically (a) the prevailing establishment it is the opposition of or (b) the old establishment it has replaced and which is also associated with institutional checks and balances **(anti-elitism)**;[36] therefore,
6. **he intensifies polarization in the polity**, meaning that he presents the cleavage between those for and against the substantive goal as unbridgeable and, if the populist gets to power, those against the "common good"—or those who would constrain his action—are excluded from the nation in general and from those under the state's moral obligation in particular **("us versus them" rhetoric)**.[37]

Each of the six steps adds a new feature to the definition of populism, and indeed all six features are present in case of an ideal typical populist. It must also be made explicit that our definition **presupposes a charismatic leader** (who is "the populist" from above). We did not include this in the six points, as we try to define populism as an ideological framework and a chain of reasoning. Yet it would be hard to imagine populism, especially in the post-communist region, without "a personalist character [...] who builds a plebiscite-type relationship with the people" and receives "the society's [...] one-time approval [and] de facto full carte blanche, allowing him to create and follow any political course."[38]

It might be useful at this point to use the six-part definition to **distinguish populism from other, related concepts. Demagogy**, defined pejoratively as the appeal to the more unsophisticated "gut feelings" of ordinary people, can easily be a part of populism but it

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32 Mudde and Kaltwasser, "Populism."

33 Müller, *What Is Populism?*, 7–40.

34 Körösényi, "The Theory and Practice of Plebiscitary Leadership."

35 Pappas, *Populism and Liberal Democracy*, 31–48.

36 Barr, "Populists, Outsiders and Anti-Establishment Politics."

37 Rooduijn, "The Nucleus of Populism."

38 Makarenko, "Populism and Political Institutions," 31.

does not involve all six steps of the reasoning.[39] Similarly, **anti-establishment** rhetoric can be part of populism but not all anti-establishment actors are also populists, only those who arrive at anti-establishment through the above described chain of reasoning. Also, while attacking an existing elite on the grounds of various (social, economic or political) crises is a key feature of emerging populism,[40] it should be noted that the essence of anti-establishment sentiment when populism is in power is to dismantle checks and balances, that is, to be able to step over elements like a legitimate opposition and the constitution which would otherwise constrain the implementation of the leading political elite's will (disguised as an interpretation of the common good). Finally, some elements of **charismatic and plebiscitary leadership** like unmediated leader-led relationship and constitution of a novel authority structure are essential features of successful populists who actually get the power to change institutions.[41] It is also true that many populist leaders themselves are charismatic and are of a "prophet" type (though not all of them).[42] But in the Weberian understanding, charisma and plebiscitary leadership involves one further element: challengeability, meaning that the ruler engages in a competition where he outshines his rivals, whereas the people are "free […] to depose him — just as the loss of charisma and its efficacy had involved the loss of genuine legitimacy."[43] As we have seen, this is not the case in populism and certainly not in a patronal autocracy, where the chief patron has successfully built unconstrained power and opposition is deemed illegitimate.

The previous paragraphs already indicate how state decisions are made, that is, what kind of institutional setup this ideology legitimizes. **The chief patron as a populist leader monopolizes the right to interpret the common good**, whereby he gets ultimate authority in state decision-making, that is, in deciding how political power should be used. This means he institutes a **neopatrimonial or neosultanistic state** [→ 2.4.2]. In other words, what is legitimized by populism is the patrimonialization of formally democratic institutions [→ 4.4.1.3]:

- **Patrimonialization** is the act of a political actor by which he disables all control mechanisms (checks and balances) of the institution he leads or otherwise has access to, in order to become able to use it as his private domain.

Indeed, the populist narrative fits the unconstrained power of the chief patron because there is no logical connection between what it criticizes—the "diagnosis"—and what it offers as an alternative—the "therapy."[44] The function of criticism is only to question the legitimacy of the target, such as the institutions represented by the establishment. What course of action should be taken afterwards is up to the chief patron to decide. One example for this is the above-mentioned criticism of public deliberation as corrupt and elitist. This claim might or might not be true, but in the populist narrative it serves only the func-

39 Cf. Mudde, "The Populist Zeitgeist," 542–43.

40 Pappas, *Populism and Liberal Democracy*, 123–30.

41 Pappas, "Are Populist Leaders 'Charismatic'?"

42 Pappas, "Are Populist Leaders 'Charismatic'?" 381–83.

43 Weber, *Economy and Society*, 267.

44 Madlovics, "A maffiaállam paravánjai," 334. Cf. Enyedi, "Five Views."

tion to undermine the existing system's legitimacy: to make opposition to an attempt to change it an illegitimate position, so the populist can replace it with whatever he wants, or more precisely whatever he labels as "the common good" (in case of public deliberation, his "direct understanding" of the people and demolishing of its institutions).

The lack of logical connection between diagnosis and therapy explains why populism can be attached to practically any kind of policy program, left/right or otherwise. Because of this feature, populism has been described in the literature as a "thin ideology."[45] Yet we can avoid a great deal of misunderstanding if we recognize it not as an ideology but as an **ideological instrument**, that is, an argumentative tool which anyone with or without an initial ideology can use to justify his actions [→ 6.4.1.2]. Indeed, understanding populism as an ideology, albeit a thin one, carries the risk of conflating it with left-right, liberal-conservative ideologies, which should be analyzed as value-coherent programs about the proper functioning of society. Populism is not an ideology of that kind, for it has the sole function of legitimation. More precisely, populism is no more than a flexible instrument with which a political actor can legitimize himself and delegitimize others. It points to no ideological goal or value-based vision about society *per se*: **it has no value content, only functional content**.

It might be noted that a wide variety of policy programs can be attached to constitutionalism, too, for its very aim is to provide a neutral ground for the competition of ideologies. Yet **populism is constitutionalism's polar opposite**: **(1) it is anti-pluralist**, meaning it aims to put an end to the competition of ideologies; **(2) it preaches particularistic moral obligation**, meaning it rejects the universal moral obligation toward every person; **(3) it does not take into account a variety of interests but one single "national interest,"** meaning it negates public deliberation and the institutionalized process of debating and aggregating various societal groups' interests; and **(4) it is collectivist**, meaning it treats people in groups (particularly "them" and "us") instead of treating every person as an autonomous individual. Indeed, **populism is a negation of liberal political philosophy—** and this makes it the interpretation of civil legitimacy that fits to the rulership structure of a patronal autocracy. Unconstrained power that the chief patron has both within the adopted political family and the nation cannot be legitimized by constitutionalism, for that would entail power limited by public deliberation, competing factions and the constitution. What is able to legitimize the chief patron's rule is an ideological framework that ensures that (1) no challenge to the chief patron is legitimate, (2) the chief patron can legitimately disregard (formal/constitutional) constraints, and (3) the chief patron has freedom in deciding when and for what reason he disregards the constraints. Populism as an ideological instrument offers precisely this: legitimization of unaccountability and, in place of public deliberation, **patronal appropriation of the interpretation of the common good** by the chief patron and the adopted political family.

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45 Cf. Stanley, "The Thin Ideology of Populism."

4.2.4. Civil Legitimacy in Communist Dictatorship: Marxism-Leninism

In a communist dictatorship, civil legitimacy is interpreted in the ideological framework of **Marxism-Leninism**. In effect, Marxism-Leninism has many similarities to populism but it is based on different tenets. First, just like populism, Marxism-Leninism is also **collectivist** and entails **particularistic protection** of some people vis-à-vis others in the polity. However, while a patronal autocracy defined the collective "nation" on a clan basis, Marxism-Leninism defines the to-be protected group on a **class basis**. Indeed, it talks about "the working peasants and other strata in the society [who] are allied with the proletariat" as a starting point. Second, Marxism-Leninism also claims that the particularistic group it protects is represented by a dedicated institution. In case of populism, this institution was the populist leading political elite, that is, the chief patron and the adopted political family. In Marxism-Leninism, it is the state party. As Kornai paraphrases the official communist ideology, the working class "does not exercise power directly; it is represented by the party. **The party is the vanguard of the working class and so ultimately of the whole of society. As such it is destined to lead society.** […] The party is an organization that has proven its capacity to head the people by leading the revolution and defeating the revolution's enemies" (emphasis added).[46]

Third, the result of the chosen group's "representation" by the dedicated institution leads to the same results: **anti-pluralism, delegitimization of opposition, and displacing rule from the hand of the people**. However, **while from populism these follow implicitly, in Marxism-Leninism these are made completely explicit**. On the one hand, the similarity can be noted. Kornai paraphrases the official communist ideology: "[should] the policy of those in power be opposed by certain political groups, this does not imply a problem with the policy; it means the groups concerned are obtuse, ill-willed, or plainly inimical—spokesmen of the internal and external class enemy."[47] Gyula Tellér, who is a chief advisor of populist chief patron Viktor Orbán, explains in a similar tone that "the real sovereign who dares to follow his interests" has to fight constantly against "a 'political vise' constituted by the allied local and Euro-Atlantic opponents."[48] The same kind of argument, marking all opponents foreign agents who attack the nation's integrity and sovereignty, has been central in Putin's populist narrative as well.[49] On the other hand, Marxism-Leninism "goes even further. Neither can broad mass opposition serve as evidence for the claim that a section of the people [does] not support those in power. **The party knows better than the people itself what the people's interest demands**: this is precisely what 'vanguard' means. […] The ideas and methods termed 'scientific socialism' […] ensure intellectual superiority [that] allows the party to understand the people's interests better than the millions outside the party, **making it superfluous for those in power to submit themselves to the control of an electoral process** involving alternative parties. In fact, to do so would be a grave

46 Kornai, *The Socialist System*, 55.

47 Kornai, *The Socialist System*, 55.

48 Tellér, "Született-e 'Orbán-rendszer' 2010 és 2014 között?"

49 Applebaum, "Putinism."

mistake and a crime against the people, since the majority of votes might go to a party that ill-served the true interests of the people. To quote Stalin, 'The Party cannot be a real party if it limits itself to registering what the masses of the working class feel and think, if it drags at the tail of the spontaneous movement… The Party must stand at the head of the working class; it must see farther than the working class…'" (emphasis added).[50]

This points to the fourth and fifth differences between the two ideological frameworks. As for the fourth one, **in a communist dictatorship, the domination that Marxism-Leninism legitimizes is formal, whereas in a patronal autocracy the domination that populism legitimizes is informal**. Indeed, in both regimes what happens is patrimonialization as well as patronalization in the institutional sphere:

- **Patronalization** is the act of a political actor by which he becomes a patron (or expands his existing patronal network), turning other (new) people into his clients in the given sphere of social action. Patronalization may apply to individuals as well as to formal and informal institutions (organizations).

However, as we explained in Chapter 3, in patronal autocracy the leading political elite is an informal patronal network (the adopted political family), and in communist dictatorship, it is a bureaucratic patronal network (the nomenklatura). In other words, previously voluntary and horizontal connections are either eliminated or turned into coercive and vertical (patron-client) connections in both regimes, but in the communist dictatorship this happens through the formal institutions of the party state, where members of the nomenklatura are placed in a strict hierarchical order.

The fifth difference is the **presence or lack of elections** to underpin civil legitimacy. Indeed, **populism as well as constitutionalism entail electoral civil legitimacy**: in a liberal democracy, elections are held with citizens whose human rights are both *de jure* and *de facto* respected, and in a patronal autocracy elections are also held (for servants who are deprived of their rights only *de facto*, not *de jure*) [→ 4.3.3]. Moreover, electoral legitimacy is one of the central arguments for populists in power when it comes to justifying that they represent the people and the nation.[51] However, in a communist dictatorship **Marxism-Leninism entails non-electoral civil legitimacy**, where the state party—using the argument outlined above—declares multi-party elections superfluous and noxious and enters "*in loco parentis*: all other strata, groups, or individuals in society are children, wards whose minds must be made up for them by their adult guardians."[52] Thus, **the people** who have been citizens in a liberal democracy and servants in a patronal autocracy **are indeed subjects** in a communist dictatorship, which deprives them of their *de jure* as well as *de facto* basic rights and liberties. By the nomenklatura and the state party, **bureaucratic appropriation of the interpretation of the common good** is realized (as opposed to patronal appropriation in patronal autocracies).

Sixth, it must be noted that non-electoral regimes (dictatorships) ideal typically feature mass terror and much more violent oppression than electoral systems led by populists

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50 Kornai, *The Socialist System*, 55–56. Also, see Stalin, *Problems of Leninism*.

51 Scheppele, "Autocratic Legalism," 568–70; Madlovics, "A maffiaállam paravánjai," 326–27.

52 Kornai, *The Socialist System*, 56.

(autocracies). This follows from the fact that **Marxism-Leninism**, allowing for less popular participation and making the dictatorial nature of the regime more obvious, **is accepted by a smaller percentage of the population than populism**. Historically, populists have been much more successful than communists in convincing the people to put their heads in the yoke voluntarily;[53] and even when communists were successful, that was more because of material legitimacy, that is, an increasing standard of living for the subjects [→ 6.3].[54] Yet Marxism-Leninism does not lose its importance, especially because this ideology explains the state actions and institutions of communist dictatorships rather well [→ 6.4.1].

This leads us to the seventh and final difference between populism and Marxism-Leninism, namely that **Marxism-Leninism is attached to a particular policy program**. The essence of this program is, in general, the merger of spheres of social action under the party state's authority, and in particular, nationalization and collectivization [→ 5.5.1]. Indeed, populism gives, paradoxically, larger room to maneuver for the chief patron than Marxism-Leninism gives to the general party secretary, because he has to stick to the communist ideology. Naturally, as accountability is disabled and communist dictatorship also uses terror and coercion much more widely than a patronal autocracy does, changes in the policy program as well as the ideology are possible.[55] Yet the nomenklatura still has some starting points which set (more or less soft) constraints to concrete policies, whereas there is no such thing in case of populism and the adopted political family. In any case, in both regimes the interpretation of the common good is appropriated by the leading political elite and ultimate authority over state decision-making is put in their hands accordingly.

4.2.5. Weberian Legitimacy Patterns: Populism as a Call for Substantive-Rational Legitimacy

We have now finished outlining the ideological frameworks of civil legitimation in the three polar type regimes. However, it is worth contrasting them with **Weber's types of legitimate domination**, which have also been used in the literature to describe these regimes. In *Economy and Society*, Weber distinguishes three "pure types" of legitimate domination: (1) **legal**, which rests "on a belief in the legality of enacted rules and the right of those elevated to authority under such rules to issue commands;" (2) **traditional**, which rests "on an established belief in the sanctity of immemorial traditions and the legitimacy of those exercising authority under them;" and (3) **charismatic**, which rests "on devotion to the exceptional sanctity, heroism or exemplary character of an individual person, and of the normative patterns or order revealed or ordained by him."[56] In other words, we may

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[53] Guriev and Treisman, "The New Dictators Rule by Velvet Fist."

[54] White, "Economic Performance and Communist Legitimacy." Also, White notes that in times of economic decline communist dictatorships had to adapt to keep people at bay, using methods like co-optation and propaganda.

[55] This has been the most evident in China, where nominally Marxism-Leninism is still followed whereas the country indeed features a capitalist economy [→ 5.6.2]. For the seminal ideological justification, see Muqiao, *China's Socialist Economy*.

[56] Weber, *Economy and Society*, 215.

say that the basic argument for domination in legal authority is "because it is the law," in traditional "because it is the custom," and in charismatic authority "because he is the most exceptional one."

According to Weber, authority based purely on a single type is rare, and legitimate domination in modern states is usually based on a combination of the three analytically isolated types.[57] But although we thoroughly accept this and with respect to the six ideal type regimes we also speak about the dominance, not totality, of certain characteristic features, the analysis of the three ideological frameworks suggest that **description with either of the three Weberian types would be unsatisfactory**. Specifically, as Weber describes legal authority as a "rational" type of rule fits to all three polar type regimes. Indeed, all of them are rational in two senses. First, the procedure by which the rulers come to power is emphasized in all three ideologies: in both constitutionalism and populism elections play the central role in ensuring the leading political elites' civil legitimacy, whereas in Marxism-Leninism the party proves itself the vanguard of the society by carrying out a successful revolution. Second, professional bureaucracy that Weber associates with the legal-rational authority where hierarchic state administration is perfected,[58] plays a prominent role in all three ideal type regimes, albeit in different forms [→ 3.3.5]. Moreover, populism and Marxism-Leninism have a trait that simply does not fit any of the Weberian categories: that they legitimize the rulers' actions by referring to a collective, not to the law, the tradition, or the exceptionality of an individual leader *per se*.

This suggests that we need to go beyond Weber. We have to take, for the reasons explained above, "rational" as an umbrella category, for which we can define two subtypes: **legal-rational legitimacy and substantive-rational legitimacy**.[59] **The former** is what Weber actually meant by legal (rational) legitimacy, namely that **the people treat the orderly legal procedures of the state** for selection of rulers and decision-making **as an end in itself**, and if one seizes the power by these procedures and rules by them is automatically legitimate as a result. **In case of substantive rationality**, however, while institutions are in place and they have an important role in the legitimization and/or the operation of the system, they are not treated as ends in themselves but rather as means to the end of the common good (Table 4.3).

While constitutionalism calls for legal-rational legitimacy, **populism is a challenge to legal-rationality as it replaces it with substantive-rational legitimacy**. Marxism-Leninism also embodies the same pattern change from legal to substantive rationality, but it is an openly revolutionary ideology. In power, Marxism-Leninism maintains the congruence of *de jure* and *de facto*: as the next parts show, communists openly declare substantive-rationality and introduce a dictatorship, formally in the name of the particularistic protection of the working class. In contrast, the particularism of populism is not made part of formal law in a patronal autocracy. On the contrary, there is a *de jure* façade of formal democratic institutions *de facto* treated by substantive-rationality. Simply put, the law is disregarded whenever it does not serve the "common good." However, as the interpretation of the common good is appropriated by the adopted political family (patronal appro-

[57] Weber, *Economy and Society*, 263–66.

[58] Weber, *Economy and Society,* 217–26.

[59] We borrow this term from Iván Szelényi, who sent us an early manuscript of a book he later published with Péter Mihályi in late 2019. See Szelényi and Mihályi, *Varieties of Post-Communist Capitalism*, 43–47.

priation), substantive rationality indeed **manifests as a disrespect for the rule of law in favor of any decision the leaders make**, although they are subordinated—in fact—to the principle of elite interest [→ 2.3.1]. In other words, while the legal-rational legitimacy of constitutionalism entails a deliberative process of interest reconciliation of multiple actors, **substantive-rational legitimacy is declarative**: a single actor declares what is to be done, and other (opposing) interests are not taken into account but suppressed.

Table 4.3. Legal-rational legitimacy and substantive-rational legitimacy.

	Legal-rational legitimacy (constitutionalism)	**Substantive-rational legitimacy (populism, Marxism-Leninism)**
Carrier of legitimacy	impersonal institutions (manifested in formal rules)	personal actors (manifested in a formal or informal organization)
Status of ruling elite	subordinated to law	served by law
Resultant process	deliberative: interest reconciliation of multiple actors (taking various interests into account)	declarative: interest enforcement of a single actor (suppressing other interests)

4.3. The Institutions of Public Deliberation in the Three Polar Type Regimes

In Chapter 1, we accepted Kornai's definitions of democracy, autocracy and dictatorship, which already included a list of most important institutions and processes which, in their unity, are particular to these ideal type systems [→ 1.6]. In this part, we provide a more **detailed discussion of political institutions**, structured by one of the previous ideological frameworks: **the five steps of public deliberation**. We are going to conceptualize the institutions of discussing, associating, electing, lawmaking and enforcing in liberal democracy, patronal autocracy, and communist dictatorship in a comparative manner.

Public deliberation appears in unscathed form only in liberal democracy. There are two reasons we use it for the other two polar types as well. First, it is this process that involves the greatest variety of institutions that structure the interaction of the public and the private sphere, therefore it is the most complete framework at hand to enumerate and assess political institutions. Second, while communist dictatorship constitutes an important part of our conceptual toolkit, most post-communist regimes are situated on the left side of our triangular framework, that is, between liberal democracy and patronal autocracy. These regimes are formally democratic, meaning that they both feature the institutions of public deliberation as far as formal laws and regulations are concerned. Thus, precisely a comparative conceptualization of these institutions is what can point out the differences between them in the liberal and patronal regimes.

First of all, we need to start with a general observation, namely that each polar type regime has **a distinctive attitude** toward the institutions of public deliberation. These at-

titudes, which result in the same patterns in their regime's institutions, can be summed up as follows:

- **in a liberal democracy**, the ruling political elite shows **universal respect and protection** of the institutions of public deliberation;
- **in a communist dictatorship**, the nomenklatura shows **doctrinarian repression and control** of the institutions of public deliberation;
- **in a patronal autocracy**, the adopted political family shows **pragmatic neutralization and use** of the institutions of public deliberation.

In practice, "universal respect and protection" means that there are effective control mechanisms in place that uphold these institutions and make the untroubled conducting of public deliberation possible. "Doctrinarian repression and control," on the other hand, means that the party state exercises totalitarian rule, where all actors in every sphere of social action are compelled to fit in the party line and those who contradict the central will are punished accordingly. Finally, "pragmatic neutralization and use" means that **a patronal autocracy (1) represses only what poses a threat to the stability of its political-power monopoly and (2) uses existing institutions or actors if they can contribute to that stability**. It is not doctrinarian in the sense that even processes that strongly oppose the workings of the regime are not necessarily addressed by the leading political elite. Everyone is left alone, that is, can exercise his rights and can participate in activities related to democratic public deliberation (free speech, running in elections etc.), as far as it does not pose a threat to the autocratic rule. Moreover, such processes become part of the healthy functioning of the system: they provide a democratic façade that make sharp distancing from the regime harder and avoid overt oppression that would be very costly, both in terms of potential support and economic development (see Box 4.1).[60] Nevertheless, the mafia state has the potential to crack down on anything that becomes a threat, and the more menacing a process becomes, the harder means the adopted political family employs against it. This might lead up to the level of physical violence, but (1) in much smaller magnitude than in any dictatorship, which—as Kornai notes—is typically characterized by mass terror [→ 1.6], and (2) only against targeted individuals who can neither be neutralized nor coopted, that is, subjugated in the single-pyramid patronal network. Such people include dedicated journalists and political activists, who might face violence in various forms from getting beaten up in an alley to torturous detention and homicide. (This also depends on the cultural acceptance of violence in the country, as well as autocratic consolidation. See Part 4.4.3.2).

As a final remark before we start, it should be noticed that the pragmatism of patronal autocracy appears with respect to its ideological framework, too. Indeed, **the distinctive attitude of both democracy and dictatorship follows from their ideological frameworks**, and therefore the institutions that make up these systems can be deduced from them. In other words, constitutionalism and Marxism-Leninism describe precisely those political institutions that prevail in their respective polities. But **in the case of populism, there is no such logical link. Populism entails only the unconstrained rule of the autocrat—not how he**

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[60] Scheppele, "Autocratic Legalism," 571–81; Wilson, *Virtual Politics*, 187–265; Dobson, *The Dictator's Learning Curve*.

uses this power. According to substantive-rational legitimacy, he is justified in disregarding existing law when he sees fit, but from this fact it does not follow why he disregards certain laws and not others, and neither does the regime's pragmatic attitude of neutralization. True, if opposition parties are deemed illegitimate vis-à-vis the populist, then it is justified to neutralize them, and also for the populist to try to keep his power by any means. But then it does not follow why this has to be done in a clandestine manner, maintaining the democratic façade with multi-party elections (and if the populist derives civil legitimacy from elections, it does not follow why he changes electoral rules and neutralizes the electoral process as well [→ 4.3.3] instead of simply outshining his rivals, as a Weberian plebiscitary leader would do).[61] The presence of a neutralized democratic façade to *de facto* autocratic politics derives precisely from those pragmatic considerations we mentioned above: the aim to conceal power monopolization in the eye of the international, as well as the domestic, public.

Box 4.1. Pragmatism of the new autocrats.

"The new autocrats [. . .] avoid repeating those well-known scenarios that will attract immediate and overwhelming reaction. They take a kinder, gentler, but, in the end, also destructive path. They masquerade as democrats and govern in the name of their democratic mandates. They don't destroy state institutions; they repurpose rather than abolish the institutions they inherited. Their weapons are laws, constitutional revision, and institutional reform. [. . .] And they leave just enough dissent in play that they appear to be tolerant. Instead of a scorched-earth policy that obliterates all opponents, one will find in these [. . .] regimes a handful of small opposition newspapers, a few weak political parties, some government-friendly NGOs, and perhaps even a visible dissident or three [. . .]. There is no state of emergency, no mass violation of traditional rights. To the casual visitor who doesn't pay close attention, a country in the grips of [a new autocrat] looks perfectly normal. [. . .] The new autocrats aim to capture and exercise unconstrained power, but they have realized that they don't need to annihilate their opponents to do so. Rather, the reverse applies. In keeping with their concern to maintain a legitimate public appearance, it is positively useful for the new autocrats to appear to have some democratic openness precisely so that they can claim that they are not authoritarians of the twentieth-century sort. They therefore tolerate a weakened opposition and other democratic signs of life, such as a small critical press or a few opposition NGOs, to demonstrate they have not completely smothered the political environment with their autocracy."

– Kim Lane Scheppele, "Autocratic Legalism," *University of Chicago Law Review* 85, no. 2 (2018): 573–77.

4.3.1. Discussing: Media and the Spheres of Communication

4.3.1.1. The four media rights

Let us start from the first phase of public deliberation—discussing. In a liberal democracy, the essence of discussing is that every citizen has a chance to express his views on political matters and engage peacefully with the views of other citizens. However, this entails further rights as well; as Article 19 of the Universal Declaration of Human Rights asserts: "Everyone has the right to freedom of opinion and expression; this right includes freedom to hold opinions without interference and to seek, receive and impart information and ideas through any media and regardless of frontiers."[62] Indeed, if discussing is open and the people can represent their views freely, that also means they are free to publish and broadcast them and make them readily searchable for other people. Furthermore, as different views must be able to interact to compete (which is the essence of public deliberation), everyone must have the right "to seek, receive and impart information and ideas."

To put it in a more structured way, Miklós Haraszti lists **four media rights** on the basis of Article 19:[63]

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[61] Cf. Körösényi, "The Theory and Practice of Plebiscitary Leadership," 284–87.

[62] "Universal Declaration of Human Rights."

[63] Haraszti, "Illiberal State Censorship."

- **the right to know**, which is the right to obtain information in political matters (especially information of public interest, regarding the workings of the state);
- **the right to speak**, which is the right to share information or one's opinion;
- **the right to choose**, which is the right to access a diverse and plural media landscape;
- **the right to connect**, which is the right to engage in free communication and information-sharing with people at home and abroad.[64]

4.3.1.2. Open, closed, and dominated spheres of communication

The four media rights provide the aspects by which three ideal typical **spheres of communication**, each associated primarily with 1–1 polar type regime, can be defined (Table 4.4). We define sphere of communication in general, narrowing it to the discussion of political matters, as follows:

- **Sphere of communication** is the sum of public and private institutions that serve the purpose of communication, that is, relaying views and pieces of information in political affairs from some person(s) to others in a polity.

Table 4.4. Open, closed, and dominated spheres of communication.

	Right to know (obtaining information)	Right to speak (sharing information)	Right to choose (diversity of sources of information)	Right to connect (online information)
Open sphere of communication (media rights are upheld)	allowing access to information of public interest	free speech (the state moderates content)	• impartial state media • free private (opposition) media	free internet access
Closed sphere of communication (media rights are suppressed)	denying access to information of public interest	censored speech (the state limits content)	• directed state media • banned private (opposition) media	restricted internet access
Dominated sphere of communication (media rights are neutralized)	hindering access to information of public interest	free speech (the state limits reach)	• biased state media • crowded out and ghettoized private (opposition) media	regulated internet access

In a liberal democracy, the sphere of communication is ideal typically **open**, meaning that basically **all four media rights are respected and upheld**. This follows straight from the ideology of constitutionalism and public deliberation.[65] First, the right to know or to

[64] Haraszti notes that while the "right to connect and to choose are seemingly new liberties, […] in fact they were already contained in the last seven words of Article 19: 'through any media and regardless of frontiers.'" Haraszti, 375.

[65] While these rights are ideal typically upheld, there may be slight differences in real world cases, especially as to how these rights are upheld exactly. For a seminal work on existing models, see Hallin

obtain information in political affairs is allowed and even facilitated. In other words, ideal typical liberal democracies aim at achieving **transparency** of decision-making: information of public interest—defined as information about the exact content of state decisions, codification processes and the spending of tax monies within the bureaucracy and outside of it for various public purposes—is made readily available to the citizens for free, with the exception of a rather narrow set of data that is classified for national security purposes. In general, as Haraszti puts it, **"the citizenry has become the default 'owner' of information handled by the state"** in liberal democratic regimes.[66]

Second, the right to speak in an open sphere of communication is respected, interpreting it in the context of **free speech**. This means that every citizen is equally free to hold and express views on political matters, and everyone's opinion is treated as a legitimate alternative proposal regarding how political power should be used. However, to be able to uphold this situation and ensure that everyone can indeed participate in public deliberation equally freely, **the state takes on the role of moderator**, restricting or penalizing certain kinds of opinions. However, this strictly applies only to extreme speech that openly disrespects other citizens' human dignity and/or sets out to replace peaceful discussion with violence—that is, views which openly contradict the free spirit of public deliberation.[67] In cases of non-extreme opinions, the state remains politically neutral. Views criticizing the current government or institutional order in a peaceful way are allowed to be expressed and discussed as legitimate opinions.

Third, the right to choose in an open sphere of communication means (1) **impartial state media**, dedicated to dissemination of so-called "hard news" in an unbiased and complete form,[68] and (2) **free private media**, meaning a proliferation of various sources of information independent of the state. In other words, while state media has systems in place to ensure internal pluralism, the role of privately owned channels is to provide external pluralism, nationwide.[69] True, private media can provide commercial content as well, but from the point of view of public deliberation and the sphere of communication we are interested only in politically-engaged media. In a liberal democracy, these channels, as Daniel C. Hallin and Paolo Mancini point out, can either be (a) partisan, meaning they are independent from the state but not independent from certain political parties, or (b) fully independent from political actors and simply expressing their opinion on current political issues, reflecting the main lines of division within the political system (political parallelism).[70] But in either case, from the point of view of the **citizen**, he is a **free media consumer** whose right to choose is supplied by a variety of sources of information and political content.

This leads us to the final right: the right to connect in the online space. In an open sphere of communication, we can speak about **free internet access** in a similar sense as we spoke about free private media above. That is, internet provides "a diverse and competitive

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and Mancini, *Comparing Media Systems*.

[66] Haraszti, "Illiberal State Censorship," 379.

[67] Hare and Weinstein, *Extreme Speech and Democracy*.

[68] Soroka et al., "Auntie Knows Best?"

[69] Haraszti, "Illiberal State Censorship," 377.

[70] Hallin and Mancini, "Western Media Systems in Comparative Perspective."

digital public sphere" where citizens can create and consume political content, share pieces of information and also organize and connect with each other across boundaries.[71] In terms of public deliberation, the online space represents a versatile platform for discussing,[72] whereas the right to connect ensures that **no citizen can be isolated in the sphere of communication against his will**. In other words, the right to connect is of primary importance to the **autonomy** of citizens in a liberal democracy, for political participation with practically no barrier to entry is ensured without the interference, or the need for help by, the state.

The polar opposite of an open sphere is **the closed sphere of communication**. Fitting to the ideology of Marxism-Leninism, this type of sphere is characterized by **formal and open repression of all four media rights**. The right to know (information of public interest) is denied by the state, meaning that the workings of the regime are not transparent, neither to domestic subjects, nor to foreign people.[73] The rights to speak and to choose are also disregarded, which in communist dictatorships follows from three mutually reinforcing features of the regime:

1. **the monopoly of state ownership** and the general ban of private ownership, which implies that (1) every media is state-owned and (2) private-media ownership is banned;
2. **media is a subdivision of the party state** and journalists are members of the nomenklatura, meaning they operate in a hierarchic order of bureaucratic command;
3. **content is limited by censorship as well as self-censorship**.

Simply put, censorship in a closed sphere of communication means that every media content has to be approved by a censor, and only those works can be published in an unabridged form which fit perfectly to the line of communication of the party. Works which do not meet this criterion are either (a) abridged, meaning pieces of information and opinions which do not fit (let alone contradict or attack) the dictatorship's official line are removed from the work, or (b) not allowed to be published at all.[74] However, it is important to distinguish communist censorship from traditional censorship in pre-communist nations (in the 19th century), where private writers had to turn to a (feudal) censorship office that decided whether their piece could be published or not.[75] First, in pre-communist times the censor and the artist were situated in different spheres of social action: the censor was a political actor, whereas the artist was a communal or economic one. In a communist dictatorship, there is no separate censorship office: following the monopoly of state ownership and the ban of private media, the artist is an employee of the party state and is regulated as such, in a hierarchy where everyone's boss is also his censor. The high-level party cadres instead define principles for the nomenklatura, rather than perform censorship themselves. Second, in pre-communist times the number of abridged or disapproved works by the

[71] Zuckerman, "New Media, New Civics?"

[72] Cf. Fox and Ramos, *IPolitics*.

[73] No wonder Mikhail Gorbachev's slogan for his reforms in the USSR was *glasnost*, literally meaning "openness" and referring to the increased government transparency he nominally set out to achieve.

[74] Dewhirst and Farrell, *The Soviet Censorship*.

[75] Goldstein, *Political Censorship of the Arts and the Press in Nineteenth-Century Europe*.

censor did not have a direct effect on the livelihood, job or existential position of a private actor. However, if every media and publishing agency is a state entity and also practically everyone works for the state, the expression of views that contradict the official line implies disloyalty to the party and therefore brings punishments such as demotion, dismissal or worse. Thus, media workers of communist dictatorships are characterized by an ethos of **self-censorship**, meaning even if they had anti-communist views, they would scarcely dare to express them.[76] Finally, communist dictatorships assign a specific role to writers and other artists as mouthpieces of the party state, a role that several artists who believe in Marxism-Leninism proudly accept. For them, self-censorship is not recognized as suppression but rather as an essential moment of abstinence as part of the mission of building communism; the censor is not an enemy of the artist but a helper in his mission, whereas censorship is merely a result of a workshop activity, or the final glaze that the state applies to the work before approving its release. As Haraszti points out, the communist party state "is able to domesticate the artist because the artist has already made the state his home. […] Traditional censorship presupposes the inherent opposition of creators and censors; the new censorship strives to eliminate the antagonism. The artist and the censor—two faces of official culture—diligently and cheerfully cultivate the gardens of art together."[77]

In a classic study, Fred Siebert and his colleagues argue that it follows directly from the official ideology and the idea that party competition would be noxious "to put basic responsibility for all mass communications in the hands of a small group of top Party leaders. All the mass media in [a communist dictatorship] become speaking trumpets for these leaders, and the editors and directors listen anxiously for the latest Olympian rumblings of 'the truth.'"[78] In theory, as Sarah Oates writes, "[the] media serve the interests of the working class and the sense of limit/censorship is imposed by the consciousness of the journalists in solidarity with the workers;" in practice, communist media aim at achieving a sphere of communication where the only framework of interpretation is that of the party (i.e., Marxism-Leninism) and the people are deprived of their right to know anything else or speak their mind freely if they disagree with the party.[79] In fact, if we look at historical examples, even in the more moderate versions of reform-communism where a more cautious censorship existed,[80] only the samizdat publishers of the anti-communist dissident movement persecuted by the authorities—directly reaching no more than a couple of thousand readers—remained outside the compass of state-controlled publicity.[81]

Finally, **the right to connect is eliminated** in a closed sphere **as internet access itself is heavily restricted**, requiring special authorization and practically unavailable for the ordinary subjects outside the nomenklatura.[82] However, while this totalitarian model

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[76] For a classic piece on self-censorship, see Haraszti, *The Velvet Prison*.

[77] Haraszti, *The Velvet Prison*, 5–7.

[78] Siebert et al., *Four Theories of the Press*, 119.

[79] Oates, "The Neo-Soviet Model of the Media," 1280–84.

[80] A typical example is the Hungarian one, where the party in 1966 laid down three categories of publication, also known as the "three T's" *(tilt, tűr, támogat)* in Hungarian or the "three P's" (prohibited, permitted, promoted) in English. Tőkés, *Opposition in Eastern Europe*, 144.

[81] Skilling, *Samizdat and an Independent Society in Central and Eastern Europe*.

[82] Ko, Lee, and Jang, "The Internet Dilemma and Control Policy."

fits the ideal typical communist dictatorship, a slightly less restrictive variant of it prevails in the slightly less restrictive regime of market-exploiting dictatorships. In these regimes, media is also censored and the right to connect is repressed, albeit with more sophisticated practices. In China, for instance, while the people nominally have access to the internet, the so-called "Great Firewall of China" implements many different types of censorship and content filtering to control the country's internet traffic.[83] The Chinese party state does not allow free access to websites such as Google and Facebook, only to their Chinese variants. Also, beside the fact that it can ban local websites, the party has introduced a social-credit system to sanction behavior it finds improper, including the expression of non-accepted views.[84] This way, the formally less repressive Chinese state practically resurrects the situation of communist dictatorships, incentivizing self-censorship for the subjects whose existential positions are directly affected by the approval or disapproval of their opinions by the state. Among other things, this system prevents precisely that autonomy that the right to connect would entail in an open sphere of communication.

Between the two polar opposites, the *de jure* open but *de facto* closed model of **dominated sphere of communication** is ideal typical to **patronal autocracy.** This type typically developed in formally democratic post-communist countries, where quite often "[the] reshaping of the media system into a pluralist and independent Fourth Estate, the transformation of the journalistic community into an autonomous professional group dedicated to a public service ideal and the redefinition of the audience into a group of citizens all failed to occur."[85] Indeed, just as populism involves the monopolization of the political sphere implicitly, the way patronal autocracy violates the four media rights is also informal. More precisely, the essence of a dominated sphere of communication is **not suppression but neutralization of media rights**: citizens become not outright subjects but servants. This becomes obvious as we analyze the situation of the four rights, contrasting them with their complete lack and complete respect in the closed and open spheres, respectively.

First, the **right to know is restricted** as access to information of public interest is hindered. The scope of available information is reduced as a result of (1) widening the scope of classified data, (2) narrowing the scope of press allowed to take part in government press conferences or to interview governmental actors, and (3) hindering, instead of facilitating, the access to information (not putting data on governmental websites, refusing to answer questions of journalists or opposition members, denying access to data of public interest first and then failing to provide the data despite final court decisions etc.).[86] In the case of **the right to speak, a patronal autocracy limits not content but reach**. It is not interested in whether opinions different from the official propaganda are voiced but whether they reach enough people to cause political instability. Thus, "enough people" is to be understood both in numerical terms—how many media consumers the opposition reaches—and geographical terms—even if many people are reached, are they

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[83] Ensafi et al., "Analyzing the Great Firewall of China Over Space and Time."

[84] Qiang, "President Xi's Surveillance State."

[85] de Smaele, "The Applicability of Western Media Models on the Russian Media System," 173.

[86] Haraszti, "Illiberal State Censorship"; Vartanova, "The Russian Media Model in the Context of Post-Soviet Dynamics"; Balogh, "Hungary Quits the Open Government Partnership in a Huff."

concentrated in a handful of bigger cities or districts.[87] Practically, in a process that may be called **"ghettoization,"** the leading political elite traps critical voices in small circles where those who were already staunch opponents of the government merely converse amongst themselves, leaving a limited viability for a change in the proportion of loyal *versus* critical voices in the larger audience. A continuously decreasing number of critical channels come to play the role of **communication "rubber rooms"** for the opponents of the regime, who can discuss their grievances and criticism among themselves but not toward a wider audience. The intense involvement of those chatting among each other on social media might elicit a false sense of masses displeased with the government, when in fact it is just the same people exchanging views in the same groups. In short, ghettoization is indeed a method of **neutralization**, similar to (and as a part of) the neutralization of opposition parties [→ 3.3.9]. Unlike a communist party state, the mafia state is not doctrinarian: it is not afraid of words and it can handle criticism—so long as it does not have significant reach.

This leads directly to the question of the **right to choose**. While it was upheld by the dual workings of impartial state media and free private media in a liberal democracy, the right to choose is neutralized on precisely these two grounds in patronal autocracy. On the one hand, **state media is biased** as it is brought under the control of the adopted political family through the immediate means of authority. These include filling positions in the media with front men and patronal servants (supervised by patron's hands [→ 3.3.5]), giving direct orders as to what (or whom) to feature, exercising censorship over the hard news the media still officially broadcasts, and directing the content in accordance with the propaganda of the transmission-belt party.[88] On the other hand, **private media in general are bought up by the adopted political family whereas opposition media are crowded out, taken over or ghettoized**. According to Elena Vartanova, in Russia when Putin was building up his patronal autocracy, related techniques he used included: a selective use of legal sanctions (tax and customs legislation, fire safety and sanitary regulation); the strategy of bringing lawsuits against opposition media, often on defamations grounds; and acquiring ownership of local and regional newspapers.[89] Also, particularly notable in this process was the patronalization of media oligarchs, during Putin's strategic move of replacing oligarchic anarchy with a single-pyramid patronal network in general and taking over the most important, nationwide media stations in Russia in particular (see Box 4.2).[90]

In Orbán's Hungary, a similar reorganization of the media market took place, with the purchase of local and regional newspapers, and radio frequencies by the adopted political family and the crowding out of opposition media (although Orbán did not have to fight oligarchs as media was already controlled in large part by his adopted political

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87 This latter aspect is especially important in regimes with not purely proportionate electoral systems (ones with electoral districts).

88 Vásárhelyi, "The Workings of the Media," 501–4; Zassoursky, *Media and Power in Post-Soviet Russia*.

89 Vartanova, "The Russian Media Model in the Context of Post-Soviet Dynamics," 135.

90 An atmosphere of violence against (opposition) journalists, including physical abuse and several mysterious deaths, has also been noted. (See Oates, "The Neo-Soviet Model of the Media," 1293–95.) This can be understood as an individualized form of crowding out.

Box 4.2. Patronalization of (media) oligarchs by Putin.

"When Putin first sat in Yeltsin's chair, the Kremlin lived in fear of the two great 'media oligarchs': Vladimir Gusinsky of NTV and Boris Berezovksy of ORT. [. . .] They had such huge audiences they could have undermined a fragile empire if he botched his relationship with them. [. . .] Yet in weeks after his inauguration, [Putin] made a comment [that] 'These people who fuse, or who help a fusion of power and capital, there will be no oligarchs or the like as a class.' [He gathered] the country's twenty-one leading tycoons in the Kremlin [to make] a simple deal—they could keep their businesses, if they stayed out of politics. Two men were not invited—Berezovsky and Gusinsky. What was happening to [them] was an example of how expensive it would be to refuse Putin's offer. [. . .] Putin [. . .] asked for Gusinsky's company to pay back the 1996 loan from Gazprom. [. . .] The tycoon [. . .] was arrested [. . .] and under duress made to sign over stakes in NTV to Gazprom. [Putin] then told Berezovsky: 'I want to control ORT. I will manage it.' [. . .] Criminal investigations were opened against Berezovsky who, under pressure, sold his share of ORT to Roman Abramovich, who promptly handed it over to the state. By taking over ORT and NTV Putin had achieved exactly what he wanted [. . .]. By 2008, some 90 percent of all Russian media was directly or indirectly under Putin's control."

– Ben Judah, *Fragile Empire: How Russia Fell In and Out of Love with Vladimir Putin* (New Haven; London: Yale University Press, 2014), 42–46.

family). While a quasi-monopoly on the media market was already achieved by 2014,[91] according to the Mérték Média Monitor, the share of independent media in 2017 was only 22.2%. Everything else was part of the patronal media: state media, which has become the mouthpiece of Fidesz (38.1%); media owned by the regime's oligarchs (15.7%); and the 476 media outlets which were consolidated in the Central European Press and Media Foundation (CEPMF, or KESMA in Hungarian) media holding (24%).[92] CEPMF, which was formed on the turn of 2018–2019, is an archetypal product of patronal autocracy: the holding was filled up by patronal media owners "voluntarily" donating all their outlets to the holding, which paid no compensation for the ca. 90-million EUR worth of companies [→ 4.4.3.2]; it is *de jure* led by a front man of Viktor Orbán [→ 5.5.3.4]; and its formation was enabled by issuing a government decree which declared CEPMF a "merger of strategic importance at a national level," thereby exempting it from competition law [→ 4.3.4.2].[93]

Preferential allocation of state advertisements has been a major means of putting political pressure on the media in Hungary, where the advertising market has historically been small and only a handful of media can finance itself purely from the market.[94] The phenomenon of preferential allocation can be observed in Figure 4.1, which summarizes state advertising incomes by political groups in Hungary between 2006 and 2019. Evidently, before the 2010 victory of Orbán there had been preferential allocation between the networks of Fidesz (Orbán) and the then-ruling MSZP-SZDSZ (Socialist-Liberal) coalition, yet most of the advertisement came from other, multinational advertisers. This indicates a regime between the ideal types of patronal democracy—with the competition of the leading and opposition patronal pyramids—and liberal democracy—as the share of autonomous or non-aligned groups is larger than in an ideal typical patronal democracy [→ 3.7.2.2]. This situation changed dramatically after 2010, when MSZP-aligned groups started receiving fewer advertisements, not only in absolute terms but, also in relative terms. Indeed, the incomes of media of the single-pyramid substantially grew between 2010 and 2015, and truly skyrocketed after the betrayal of inner-circle oligarch Lajos Simicska

91 Vásárhelyi, "The Workings of the Media."

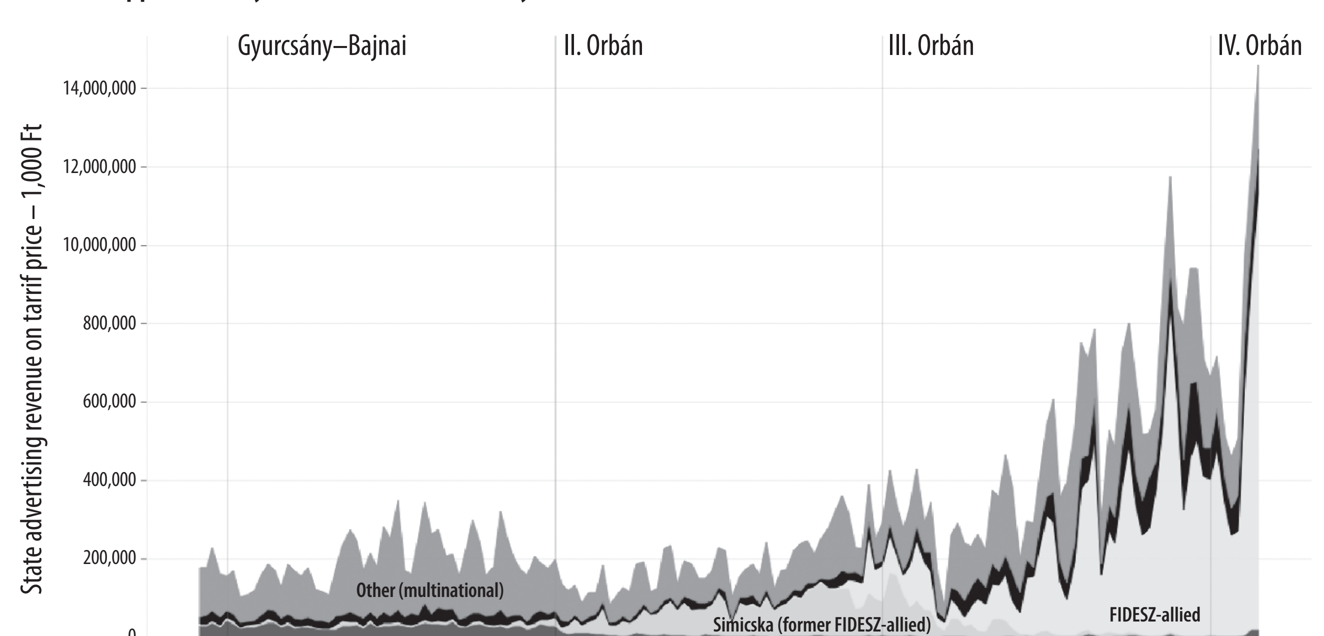
92 "Mindent beborít a Fidesz-közeli média."

93 Kovács, "Fidesz's Media Empire Just Became Even More Centralised." For a concise description of media situation in Hungary, see "Conclusions of the Joint International Press Freedom Mission to Hungary."

94 Bátorfy and Urbán, "State Advertising as an Instrument of Transformation of the Media Market in Hungary."

[→ 3.4.1.4], which was followed by the establishment of a new patronal media order in an attempt to win the mafia war and decrease the relative weight of Simicska's renegade media empire.[95]

Figure 4.1. State advertising incomes by political groups in Hungary (2006–2019). Measures are in 1,000 Ft (approximately 3.5 USD). Source: Bátorfy (2019).



By withdrawing state advertisement and scaring off private advertisers through state coercion, the mafia state diminished the revenues of private media and obstructed the freedom of the press. "Scaring off" refers to, besides actual blackmail, a form of **self-censorship**: private advertisers know very well that should they start supporting (i.e., making business with) an opposition or disloyal medium, they would become enemies of the adopted political family. Similarly, commercial media channels which otherwise might want to express their opinion in political matters are depoliticized as they are cautioned to self-censorship.[96] At the same time, the government strikes the critical media channels down through a redistribution of radio frequencies, or relegates them to the ghetto of the few intellectual consumer groups, or perhaps just starves them out financially.[97] Also, as the state news agency provides the news block free of charge, the mafia state has undermined and practically liquidated the market for independent news providers.[98] Thus, indirectly the regime

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95 Rényi, "Ez nem újságírás, ez politikai nehézfegyverzet [This is not journalism, this is political heavy weaponry]."

96 It may be objected that RTL Hungary is indeed politically active at least as far as its news service is concerned. However, the station had originally been politically neutral until 2014, when a discretional tax [→ 5.4.3] was levied on the station as part of centrally-led predation [→ 5.5.4]. After predation failed mainly because of the station's strong German background, RTL started featuring more negative news regarding the government and especially corruption. Vásárhelyi, "The Workings of the Media," 517–19.

97 Máriás et al., "An Illiberal Model of Media Markets–Soft Censorship 2017."

98 Vásárhelyi, "The Workings of the Media," 503.

sets the agenda for the news programs of private commercial media, including tabloids that reach people who typically do not consume political news.

However, **the role of the adopted political family's media**, as Mária Vásárhelyi puts it, is **not only brainwashing but also money laundering**.[99] Not only are the clients of the adopted political family the biggest subcontractors of state media, they are also builders of the frequency networks, the beneficiaries of state funds for the media, the receivers of state advertisement, the state-funded buyers and founders of media firms. They are the ones that take over the places of the market players who were ejected by means of state coercion. Based on an extensive analysis of the media empire related to Orbán's adopted political family,[100] we can conceive the structure and operation of the media that may well be ideal typical to patronal autocracies:

1. the political family positions front men and patronal servants where the operation of state media, budget resources and state advertisement are decided;
2. these people redirect a vast majority of state advertising and commissions to the political family or media loyal to it;
3. these people simultaneously engineer the ideological orientation of public opinion and the delivery of state resources into private hands through overpriced procurements and shares of profits;
4. and coming full circle, oligarchs of the political family delegate their own people (front men, patron's hands etc.) to key positions in order to ensure smooth operation.

The functions of (1) spreading propaganda through the instrumentalized application of various ideologies [→ 6.4.2] and (2) transferring public monies to the hands of the adopted political family are ideal typical to the media of patronal autocracy. Furthermore, there is a third function they fulfill: (3) **noisemaking**. Noisemaking is a specific mode of neutralization of critical voices. It refers to the phenomenon that Pomerantsev and Weiss describe as the "weaponization" of information.[101] In a post-modern fashion, **the purpose of noisemaking is not to convince the people but to confuse them**. While they keep up the narrative of populism as the general framework for interpretation, in specific issues the media of the adopted political family start broadcasting numerous contradictory narratives, combining truthful and fake news alike.[102] On the one hand, this creates an atmosphere of general confusion and distrust. On the other hand, it also means that many different viewpoints are introduced into the public discussion with the sole purpose of perturbation. This **makes public deliberation practically impossible** as opposition narratives blend into the noise of the chaotic sphere of communication, wherein the people cannot decide among the cacophony of narratives which are to be taken seriously.

99 Vásárhelyi, "The Workings of the Media."

100 Bátorfy, "How Did the Orbán-Simicska Media Empire Function?"

101 Pomerantsev and Weiss, "The Menace of Unreality."

102 Khaldarova and Pantti, "Fake News"; Pomerantsev, *This Is Not Propaganda*.

As far as the right to connect is concerned, we can find the same sort of noisemaking in the online space. Indeed, this is necessary because it is difficult to regulate the online space (although some patronal autocracies have made attempts in that direction),[103] so other means are needed to neutralize a space that is otherwise rather free. Noisemaking is the first of such means, and it takes the form of **"neutrollization."** Xymena Kurowska and Anatoly Reshetnikov coined this term for the centrally organized and industrialized use of armies of trolls, that is, people whose tasks include replicating propaganda messages, spreading noise-narratives and generally muddling up discussion in comment sections and the social media.[104] Employed by transmission-belt parties of patronal autocracies, trolls can either be paid "workers" or activists who spread the messages the party gives them out of conviction.[105] The second method is **imposing fines** on websites that allow opposition content and networking, which establishes a counterincentive to providing platforms with a free right to connect. Finally, probably the most effective way of neutralization is **self-censorship**. This prevails especially among people whose material, existential position depends on the state—such as public employees or subcontractors to government investments—who can be afraid of negative discrimination should they voice their critical views about the mafia state.

4.3.2. Associating: Protests, Interest Groups, and Party Systems

Actors with certain views can decide to take action in favor of them, that is, to do something to change the political status quo. The types of action undertaken in this phase may be divided into two broad groups. First, there are **attempts to bring about change from outside** of the decision-making process, meaning the actors try to pressurize current decision-makers to use political power in a different way. Such actions can occur in the discussing phase: media and public expression of one's views are already types of pressurization. However, an actor might want to give emphasis to his views by different means as well, namely by means of group action. If he decides to do so, he enters the associating phase, where actors decide to form (or not to form) formal or informal groups for the purpose of facilitating change.

Focusing on the main actor in liberal democracy, we can differentiate two types of associative action in the first group:

- **protesting**, the **occasional or chain-like** event of gathering together and expressing opinions toward decision-makers **unilaterally** (**the main actor is the citizen** who decides to take part, either individually or as part of a formal or informal group);

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[103] Duffy, "Internet Freedom in Vladimir Putin's Russia."

[104] Kurowska and Reshetnikov, "Neutrollization."

[105] Kurowska and Reshetnikov, 352–57; "Fidesz Online Army Is Commanded Right from the Party Headquarters"; Dezső and Panyi, "We Are Not Paid Agents of Russia, We Do It out of Conviction."

- **lobbying**, the **regular** attempt to advocate the special interests of a group in a **bilateral** conversation with the decision-makers (**the main actor is the interest group** which decides to advocate the special interests of its members).

Naturally, this distinction is only for analytical purposes, and the two (unilateral and bilateral pressurization) are often combined in social movements.[106] On the other hand, there are **attempts to bring about change from inside** the decision-making process. Unlike external pressurization, in this case the actors try to become decision-makers themselves. Again, we can distinguish two types:

- **joining**, where **the main actor is the citizen** who decides individually to join the ruling party;
- **competing**, where **the main actor is the politicians' party** which decides to enter the party system and contest elections.

4.3.2.1. Protesting: mobilizing and demobilizing structures[107]

The general term needed to conceptualize protests is "demonstration:"

- **Demonstration** is an event where people occupy a public space to express their views in a political matter.

It should be noticed that this definition excludes non-political street events, and that is justified as we are talking about processes within the framework of public deliberation. On the other hand, two types of demonstrations should be distinguished: (a) demonstrations that are **critical of the status quo**, with the demonstrators being against the leading political elite and/or in favor of change; and (b) demonstrations that are **supportive of the status quo**, with demonstrators being against change and/or in favor of the leading political elite. In the former case, we speak about **protests**; in the latter, we speak about **pro-government rallies**.

Protests aim at changing the status quo, while pro-government rallies try to protect it. Yet the crucial difference that necessitates their analytical separation is that, in post-communist regimes, rallies are organized by the state, or at least actors who have strong ties to the leading political elite (like GONGOs [→ 3.5.2]). **In a liberal democracy** where public deliberation equally accommodates both supportive and critical voices, this should bring no major difference: **the state treats protests in the same way as rallies**, that is, as events of association. However, **as we move toward more repressive systems, a gap appears between protests and rallies**. Protests are decreasingly tolerated, while rallies become more and more prominent. On the repressive end of the scale, **communist dictatorships** do not tolerate protests, while pro-government rallies take the form of **parades**, flamboyant state celebrations where the people are obliged to swarm the streets and hail the system and its leaders.[108] **A patronal autocracy** is on the middle of the scale, with **both protests**

[106] Tarrow, *Power in Movement*.

[107] We are indebted to Michael C. Zeller for his suggestions to this part.

[108] Hung, "Mao's Parades."

and pro-government rallies being prominent. However, the latter, like the pro-government rallies of Nashi in Russia and the so-called Peace Marches in Hungary, can typically access more financial resources and face a more benevolent state apparatus than protests, which can not only access much fewer resources, but also contend with the repression of the state.[109]

This leads us to the analysis of protesting in the three polar type regimes. Following the definition above, we must consider two actors: those who may protest**—the people—** and those who they can protest against**—the leaders**, and what we have to analyze in various regimes is the **mobilizing and demobilizing structures** they can create, respectively (Table 4.5).[110] For if someone wants to organize a protest, its success or significance will primarily depend on the number of people he can bring to the streets (mobilization), whereas the stronger the protest, the more it diminishes the leaders' legitimacy and therefore the more they are interested in breaking it down (demobilization).[111]

In general, the mobilizing structures can be divided into two parts:

- **formal mobilizing structures, meaning the formal-legal framework** that is granted for mobilization;
- **informal mobilizing structures, meaning:**
  - **the ability to connect**, that is, the capacity to make contact with potential demonstrators, typically (a) relying on already established local or national networks[112] and (b) via social media or other informational devices;[113]
  - **positive signaling**, which refers to the ability of the organizers (or already engaged demonstrators) to communicate that taking part in the protest is worth it to the potential demonstrators.

In a simple, economic model, positive signaling means the act of persuading people that the potential benefit of protesting outweighs its potential cost. In reality, the calculation involves factors like grievances, efficacy, identity, emotions, and social embeddedness, all interwoven to determine the potential benefit—which may be the benefit of redressing the grievance or simply expressing anger.[114] Moreover, scholars underline the fact that people can be mobilized only if the organizers capitalize on a **common identity**, and rely on the processes of identification among protesters. For "[in] order **to develop the shared grievances and shared emotions, a shared identity is needed** […]. [Grievances] originate from interests and/or principles that are felt to be threatened. The more people feel that interests

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[109] Robertson, "Managing Society"; Gerő and Kopper, "Fake and Dishonest."

[110] On mobilizing structures, see McAdam, McCarthy, and Zald, *Comparative Perspectives on Social Movements*. Demobilization is usually discussed as "repression" in the literature (for a meta-analysis, see Earl, "Political Repression."). We prefer "demobilization" and "demobilizing structures" because it immediately contrasts to "mobilization" and "mobilizing structures," as in Table 4.5.

[111] Minzarari, "Disarming Public Protests in Russia."

[112] Minzarari, "Disarming Public Protests in Russia," 397–99.

[113] Dagaev et al., "Technological Foundations of Political Instability."

[114] van Stekelenburg and Klandermans, "The Social Psychology of Protest."

of the group and/or principles that the group values are threatened, the angrier they are and the more they are prepared to take part in protest to protect their interests and principles and/or to express their anger" (emphasis added).[115] Positive signaling, in this context, refers to the organizers' ability to communicate the shared grievance, not in the sense of reaching the people (which is the ability to connect) but framing a concrete phenomenon—like a policy or electoral fraud—as a grievance to the group, and persuading people that they should protest accordingly.

Table 4.5. Mobilizing structures of the people and demobilizing structures of the state in the three polar type regimes.

		Liberal democracy	Patronal autocracy	Communist dictatorship
Mobilizing structures (of the people)	Formal	freedom of assembly	freedom of assembly	no freedom of assembly
	Informal	high ability to connect + positive signaling	moderate ability to connect + positive signaling	low ability to connect
Demobilizing structures (of the state)	Direct	authorization is normative (legal remedy)	authorization is discretional (no legal remedy)	no authorization (protesting is illegal)
	Indirect	negotiating / ignoring	ignoring / channeling / negative signaling / outsourced state repression	n.a.

Let us focus on the people and their mobilizing structures first. **In a liberal democracy**, the formal mobilizing structures are granted by the **freedom of assembly**, which is regarded in the ideological framework of constitutionalism as a general human right that follows from the concept of human dignity. Therefore, everyone has a right to assemble, join a protest or not to join (or leave) at his own volition.[116] Informally, the people have a **high ability to connect**, following (1) the right to connect and (2) the lack of structural counter-incentives, by which we mean that forming horizontal connections with other people is a right that is protected by the state and no one can be discriminated for it (ideal typically). **In a patronal autocracy**, the formal or *de jure* framework is not unlike those of liberal democracies. However, as far as **the informal ability to connect** is concerned, it **is more moderate**. The reason for this is what has been explained in the previous part: self-censorship and the fear of discrimination, which may be—unlike in the framework of constitutionalism—perfectly legitimate from the viewpoint of populism if it is targeted against an enemy of "the nation" (i.e., the adopted political family). This makes it not only more difficult for people with similar views to find each other—for they are less likely to advertise them openly in the first place—but also increases the threshold for joining any political protest—for the people will find it more costly to join than it would be in a neutral environment. Finally, **in a communist dictatorship**, demonstrating against the party state is forbidden, just like opposition against the regime in general [→ 3.7.1.2]. Nevertheless, communist subjects do

[115] van Stekelenburg and Klandermans, 8.

[116] See Article 20 of the "Universal Declaration of Human Rights."

occupy public spaces for political purposes during **parades**; but, as we explained above, a communist parade is not a free event but an **enforced ritual action**.[117]

Similarly to mobilizing structures, **demobilizing structures** can be differentiated into two parts:

- **formal demobilizing structures**, meaning the legal framework or to what extent the leaders are allowed to use the state to break down protests;
- **informal demobilizing structures**, which involve the informal means the leaders can use to disrupt existing protests and/or counter-incentivize joining of potential demonstrators.

Again starting from a simple economic model, we can adopt the understanding of Tilly, who defines repression (demobilization) as "any action by another group which raises the contender's cost of collective action."[118] We may focus on **the "cost" of protesting** and draw a (more or less continuous) scale from liberal democracy to communist dictatorship, with patronal autocracy with its particular techniques in between. **In a liberal democracy**, protesting is an element of public deliberation as a manifestation of freedom of expression. Accordingly, the cost the constitutional state inflicts upon the protesters is **either zero or a fair and proportionate amount**, accounting for other people's conflicting rights. Indeed, a constitutional state must realize that basic rights and liberties may be in conflict, and the full realization of one may be done only at the expense of another.[119] Exercising freedom of assembly, for example, may require shutting down traffic—restricting freedom of movement—or it may disturb people living in the streets the protesters occupy—constituting a danger to public order. Therefore, the legal system and the practice of law must define boundaries of rights and even a democratic state can, as a result, legally interfere with someone exercising a right when he would infringe a conflicting right excessively. In terms of costs, this may imply fines or certain obstacles to protesting activity.

As we move from democracy to dictatorship, the focus of the rulers moves from the people's rights to the state's rights. From this, two important differences in the practice of treating protests follows: **(1) protesting is criminalized**, meaning the state begins to treat protesters as criminals; and **(2) the cost the state inflicts upon the protesters becomes disproportionate** to the infringement it may cause to other people's conflicting rights. Indeed, upsetting the proportionality of crime and punishment is a natural consequence of the state's focus on its own rights, and that the aspect of the safety of power is considered instead of the safety of the community. This implies, almost always, a **high positive cost** to the protesters, who must face retaliation instead of proportionate sanctions. This is true already in patronal autocracy, with serious penalties for peaceful protests and relatively minor offenses,[120] but the increasing costs may be best observed at the end of

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[117] Rotenberg, "May Day Parades in Prague and Vienna."

[118] Tilly, *From Mobilization to Revolution*, 100. See also Granovetter, "Threshold Models of Collective Behavior."

[119] Brems, *Conflicts Between Fundamental Rights*.

[120] "Russia: Draconian Penalties for Peaceful Protests"; "Closing Statements of Activists Márton Gulyás and Gergő Varga."

Box 4.3. Non-balancing of rights in Russia.

"Putin's Russia is far from the liberal constitutional ideal. While its constitution does provide many fundamental rights–freedom of speech, freedom of association and assembly, and freedom of movement, to name a few–ordinary legislation has hollowed each of them out. The foreign agents laws and antiextremism laws undermine freedom of association; hate speech legislation and a 2014 amendment to the Criminal Code, which outlaws public calls for violation of Russia's territorial integrity, limit freedom of speech; onerous administrative provisions for registering in one's place of residence restrict freedom of movement; and the 2016 Yarovaya antiterrorism law stifles freedom of assembly and conscience by introducing harsh sentences for organizers of unsanctioned protests, requiring Internet service providers and phone companies to store customers' communication data logs, and making it a crime not to report information about other crimes. Whatever rights do exist de jure are undermined de facto by the Russian courts, which do not uphold them consistently or predictably."

– Maria Popova, "Putin-Style 'Rule of Law' & the Prospects for Change," *Dædalus - Journal of the American Academy of Arts & Sciences* 146, no. 2 (2017): 65.

the scale. Namely, **in a communist dictatorship, protests are outright illegal** and any subject who would try to organize or join a protest is subject to criminal prosecution by the party state. We mentioned that, in the case of positive signaling, the protest organizers must persuade the people to bear some costs, under which, in a liberal democracy, typically things like the free time one needs to spend on the protest is meant. But in a communist dictatorship, the free time one would need to sacrifice is not measured in hours spent in an open space—it is measured in years spent in a closed space.

Typically, the means of repression (demobilization) are identified in harassment, surveillance/spying, bans, arrests, or physical violence,[121] as well as more subtle means that may be applied by state and private actors alike.[122] In our framework that focuses on regimes and builds heavily on the formal-informal dichotomy [→ 2.2], the question is whether the state is legally empowered to use such means, or how it creates a legal basis for their use. **A constitutional state** that focuses on the societal interest faces the problem of conflicting rights and solves it through the practice of **balancing rights**: the legislators—who design the regulatory framework—and the judges—who arbitrate in disputed conflicts—try to create a system where every basic right and liberty can prevail, meaning none of them is completely suppressed by another.[123] **In a patronal autocracy**, however, the ideal typical practice is one of "**non-balancing rights**:" the state uses the less threatening right as an excuse to suppress the more threatening one. In other words, when it comes to a conflict of rights, the mafia state ideal typically decides in favor of the one that poses a smaller threat to political stability. And while their concern is the safety of power, the rulers can apply the rhetoric of safety of the community: they speak about the people's right to safety and peaceful life, and in the name of these does the state suppress all kinds of "subversive" opposition activities. Thus, even though the constitution grants fundamental rights, ordinary legislation that sets some kind of balance hollows out the politically more important ones (see Box 4.3).

Such shrewd calculation is evident with respect to the freedom of assembly. In Russia, arguments about the rights to "public safety" and "health" were used to justify draconian restrictions on public protests, particularly those that do not receive prior permission from the mafia state's authorities.[124] However, as the case of Hungary shows, safety is not the only right that can be used to limit the right to assembly. In 2018, the government passed a law

121 Davenport, "State Repression and Political Order."

122 Earl, "Tanks, Tear Gas, and Taxes."

123 Smet, *Resolving Conflicts between Human Rights*.

124 "Russia's Putin Signs Anti-Protest Law before Rally"; Demirjian, "Meanwhile in Russia, Putin Passes Law against Protests."

stating that a protest can be banned if it "unnecessarily and disproportionately adversely affects the rights and freedom of others," such as when it "interferes with the duties of a foreign diplomat," "hinders the activities of the courts," or "disturbs the ordinary flow of traffic."[125] Laws with similarly vague wording, making protest authorization a discretional right of the police (i.e., the leaders), are very common in Soviet Central Asia as well.[126]

It may be objected that strict laws regulating the right to protest exist in some liberal democracies as well and are therefore not particular to patronal autocracies.[127] However, two distinctions must be noted. First, the tendency of these measures is peculiar: they always mean a shift from a more liberal state of affairs toward a tightening of the regulatory framework, and every such measure parallels the strengthening of opposition. This marks the pragmatic consideration of using stronger means against stronger threats.[128] Second, the most important difference between the demobilizing structures of the state in a democracy and an autocracy is **whether authorization is normative or discretional**. In liberal democracies, protests that do not infringe rights are allowed to take place by the authorities, regardless of the content or the views of the demonstrators. Furthermore, should discriminatory treatment happen, there is the possibility of **legal remedy**, which means that authorities themselves are supervised by a separated judicial branch to which the citizens can turn to. Looking at the autocratic regulations mentioned above, however, we can see extremely high fees for non-authorized protests on the one hand—ensuring every servant subjects himself to the authorities' decisions—and vague wording which ensures decisions are almost purely at the discretion of the authorities. And while vague wording is not unprecedented in liberal democracies either, **the lack of legal remedy** that stems from the patronalization and patrimonialization of public institutions [→ 4.3.5] makes the regular discriminative use of the powers formally granted to the authorities practically irrevocable.

In liberal democracies, the most straightforward way of demobilization would be meeting the demonstrators' demands or channeling them into a more formal institution of public deliberation (starting negotiations). Theoretically, this may be regarded as part of the **informal demobilizing structures** of constitutional states, although in real world liberal democracies such "positive demobilization" is rarely used and protests are mostly ignored or tolerated by governments.[129] Ignoring is a means frequently applied by patronal autocracies as well, especially as the neutralization of public deliberation allows them to act way beyond the people's stimulation threshold [→ 7.4.7.3]. Yet when protests carry the threat of becoming social movements, the mafia state can create informal demobilizing structures which target current as well as potential protesters on a wide scale in the society. This may take two forms: (1) **channeling** and (2) **negative signaling**. As for (1), channeling is defined as "indirect protest control using a reward or consequence structure that shapes, rather than directly controls, protest."[130] In our case, demobilization suggests

[125] Balogh, "Hungary's New Law Restricting Freedom of Assembly."

[126] See Freedom House country reports. "Freedom in the World 2018."

[127] For an analysis of existing regulations in democracies, see Peters and Ley, *The Freedom of Peaceful Assembly in Europe*.

[128] For an example, see "Russian Lawmakers Back Law Jailing Anyone Urging Teenagers to Protest."

[129] For a discussion, see Peña and Davies, "Responding to the Street."

[130] Earl, "Political Repression," 264. Also, see Oberschall, *Social Conflict and Social Movements*.

that the regime tries to apply channeling on potential supporters, who are typically made up of so-called non-clientage groups who are either (a) capable of maintaining a material (financial) existence without the regime or (b) dependent on state support but in a way that cannot be renounced individually [→ 6.2.2]. This typically means, on the one hand, middle-class people who studies find are most likely to join large protests against the leaders,[131] and on the other hand students and pensioners who belong to group (b). One obvious way of using channeling to co-opting these groups is to try to "buy them off"—give potential protesters money through various redistributive programs, tax cuts or increased subsidies [→ 5.4.3.3, 6.3].

As far as method (2) is concerned, negative signaling takes the opposite direction from channeling—it demobilizes not by positive but negative messages. **In contrast to positive signaling, which means the communication of "pro" arguments in favor of joining a protest, negative signaling refers to the communication of "con" arguments against joining the protest.** Typically, this means the leading political elite punishes already active protesters by turning public goods into private goods, as Dumitru Minzarari puts it. By this, he means that **access to jobs, fair legal process, and entrepreneurial activity**—to give a far from exhaustive list of elements—are "public" **in a liberal democracy**, meaning that they are **normatively available** to everyone (or at least the constitutional state strives to grant equal opportunity [→ 6.2.2]). **In a patronal autocracy**, however, these elements cease to be public in the sense that only some can access them, or even more so: some can be excluded from their use on a discretional basis.[132] In other words, this means that an autocratic state can cause some people to lose their jobs (or to be unemployable), exclude entrepreneurs from (state) contracts or subject them to continual harassment by the authorities, or submit any person to an unfair legal process. Thus, these elements are made **conditionally available** in a patronal autocracy, depending on discretional decision instead of normative impersonality. And, as Minzarari explains, the adopted political family "does not need to do this on a massive scale; instead, it can identify high-profile potential protesters and target them exclusively, restricting their access to important public goods. Through this action, the authoritarian government sends credible and costly signals to its population, emphasizing both its ability to use such incentives and its resolve."[133]

Private actors may also be employed in informal demobilizing structures. While repression literature deals with private repression initiated by the private actors for private goals (countermovements, external funding agency preferences for less radical goals etc.),[134] in case of patronal autocracy we can speak about **outsourced private repression**. In this case, violent actors like paramilitaries or football ultras are employed (informally) by the leading patronal network to dissolve protests, using such brutality that the state cannot formally undertake. In Chapter 2, we discussed violent entrepreneurs connected to the leading patronal network [→ 2.5.2], whereas below we will distinguish such action as "black coercion" as opposed to the legalized "white coercion" [→ 4.3.5.4].

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131 Minzarari, "Disarming Public Protests in Russia," 390–93.

132 Minzarari, "Disarming Public Protests in Russia," 399–401.

133 Minzarari, "Disarming Public Protests in Russia," 403.

134 Earl, "Tanks, Tear Gas, and Taxes," 49.

4.3.2.2. Policy-questioning and legitimacy-questioning protests

What demobilizing structures a patronal autocracy creates greatly depends on **the type of protest** it faces. Indeed, there are several aspects by which protests can be typed,[135] however, the most important distinction for us is between legitimacy-questioning and policy-questioning protests. The former may be defined as follows:

- **Legitimacy-questioning protest** is a type of demonstration which is outside the regime's internal political logic, that is, which involves people who treat the regime as illegitimate and the demonstration, as a replacement of the formal processes of public deliberation (i.e., peaceful change).

While a small number of radicals can regard the regime illegitimate at practically any point, a legitimacy-questioning protest that involves a larger mass of people, moderates as well as radicals, typically follows **a spectacular breakdown of the public deliberation process**. In the post-communist region, the so-called "color revolutions" have involved such protests [→ 4.4.2.3]. The breakdown that provoked them has usually been electoral fraud, that is, the state apparatus had not counted votes honestly.[136] Following such a spectacular breakdown, the regime's legitimacy, at least in the eye of the growing opposition, is fatally diminished and the people step out of the formal framework of public deliberation. This is further facilitated by a signaling effect, namely that the leading political elite suppresses public deliberation in an unmistakeable signal that they knew they would not win the deliberative argument (see Box 4.4). As Julia Gerlach observes, the focus of legitimacy-questioning protests "is either on rerunning the elections or on recognizing the victory of the counter-elite. In either case, the dominant demand is for the resignation of the present government, while more programmatic claims are left out."[137] Indeed, legitimacy-questioning protests serve **as substitutes for the process of the peaceful removal of the leaders**, pressurizing them to resign and allow the opposition to assume authority. Valerie J. Bunce and Sharon L. Wolchik argue that legitimacy-questioning protests have the effect of signaling to the leaders that holding power

Box 4.4. Postelection demonstrations.

"Growing repression can in fact signal regime weakness, rather than strength. Repression can indicate to oppositions and other observers that the regime has been forced to take desperate measures in order to forestall its loss of power. At the same time, such actions can lead citizens, oppositions, and even regime allies to feel that the regime has gone too far. [This] argument could help account for [...] significant postelection demonstrations. [In] the mid-1990s such demonstrations occurred in Croatia and Serbia following local elections that the regimes attempted to nullify, and demonstrations also broke out following the 2001 presidential election in Belarus and the 2003 elections in Armenia and Azerbaijan. [Elections] link actions to outcomes, and these outcomes provide not just a tally of the votes, but also a visible verdict on such critical questions as the size of regime support, the very right of the regime to rule, and, more generally, the quality of democratic life. Indeed, for precisely these reasons, changes in the frequency and size of mass mobilization over time tend to show electoral cycle effects, and fraudulent elections seem to be unusually good at bringing people out onto the streets. In the latter case, for example, stolen elections focus discontent and thereby create a large and outraged 'community of robbed voters.'"

– Valerie J. Bunce and Sharon L. Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries* (Cambridge: Cambridge University Press, 2011), 219, 222, 272.

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135 Ratliff and Hall, "Practicing the Art of Dissent."

136 Tucker, "Enough! Electoral Fraud, Collective Action Problems, and Post-Communist Colored Revolutions."

137 Gerlach, *Color Revolutions in Eurasia*, 33.

despite losing the elections is increasingly costly. This, in some post-communist autocracies (like Serbia in 2000), was instrumental in forcing the incumbent to accept their electoral defeat.[138]

In cases of legitimacy-questioning protests, a patronal autocracy can hardly use the neutralizing methods explained above, because (1) channeling and negative signaling are preventive measures and it is too late to use them when there is already a mass legitimacy-questioning protest and (2) stronger repression or punishing key opposition figures might be counterproductive, sending signals about the leaders being just more desperate.[139] Indeed, neutralizing methods are best used in non-revolutionary situations, that is, when the protests are not legitimacy but policy-questioning:

- **Policy-questioning protest** is a type of demonstration which is inside the regime's internal political logic, that is, which involves people who treat the regime as legitimate. The demonstration is thus a complement to the formal processes of public deliberation (i.e., peaceful change).

A policy-questioning protest does not step out of the logic of the regime, but is more like a normal event within the process of public deliberation that centers on a concrete issue (or a set of issues, related to an element, policy or strategy of the regime). Its aim is to pressurize the government, not into resigning but into changing the targeted policy. While the two types of protests are different in nature, **both policy-questioning and legitimacy-questioning protests can be single events as well as chain-like**, based on a series of events. Ideal typically, legitimacy-questioning protests go on until they reach their goal—replacing the regime and its leaders. Legitimacy-questioning protests may, in the end, grow to a level that they virtually replace the process of public deliberation, the public life of the polity getting singularly occupied by the demonstrating activity.

4.3.2.3. Interest groups in the three polar type regimes

Protest is often a means of social movements, which employ this method of unilateral pressurization to reinforce their cause that they can later represented either as a (newly-founded) opposition party or in negotiations with the government. Yet, **when the focus is less on the social-movement aspect** and unilateral pressure **and more on bilateral negotiating**, it is better to speak about interest groups:

- **Interest group** is a group of actors who gather together in a formal or informal organization to persuade public actors to perform various political actions—such as regulations or handing out subsidies—in favor of the members of the interest

[138] Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 97.

[139] Yet this is not universal, and some regimes might resorte to such measures anyway, particularly if they are consolidated autocracies [→ 4.4.3.1]. For example, in the 2011–12 protests in Russia, which were election-based legitimacy-questioning protests, the key repression came during the May protest on Bolotnaya Ploshchad, where there were mass arrests. This event (coinciding with/immediately after Putin's inauguration) was followed by targeted repression against opposition leaders like Navalny and Udaltsov. We are indebted to Michael C. Zeller for this point.

group. There is cooperation between interest groups and politicians, carried out in the form of lobbying.

Focusing on **liberal democracies**, Arend Lijphart differentiates two models of interest group activity: (1) the pluralist model, characterized by the "competitive and uncoordinated pluralism of independent groups" and typical of majoritarian democracies (like the U.S.), and (2) the corporatist model, which features a "coordinated and compromise-oriented system" that is typical of so-called consensus democracies (like Germany).[140] In either case, the representatives (lobbyists) of the **interest groups attempt to influence legislators to create such (normative) laws and regulations that will meet their values and interests**, increase their benefits or decrease their costs. Among the various interest groups, business groups have been seen to invest particularly large amounts of money in lobbying, as described in great detail by the literature of regulation capture and rent-seeking [→ 5.3.1, 5.4.2.3].

When we analyze interest group activity **in patronal autocracies**, we must differentiate between country-specific and regime-specific characteristics [→ 7.4]. Starting with the latter, two regime-specific features determine some characteristics of lobbying in patronal autocracies. First, the rudimentary separation of the spheres of social action means that **interest representation becomes interest collusion** as entrepreneurs become oligarchs, and they are embedded in an **informal patronal network as opposed to an interest group**.[141] Second, as "legislative bodies cannot introduce any significant legislation on their own, without the executive authorities" (see vassals' party and transmission-belt legislature [→ 4.3.4.4]) and "the law plays a very limited role in determining the actual parameters of business operations and the distribution of their gains" (see amplitude of arbitrariness and relational market-redistribution [→ 5.6.1]), "expenditures toward legislative lobbying are unlikely to pay off either in the medium term on in the long term."[142] Therefore, **lobbying efforts must be targeted not toward the legislation but members of the patron's court**, preferably the chief patron or someone close to him [→ 2.2.2.2]. Whether such efforts succeed leads us to the question of country-specific differences. For this highly depends on the country's embeddedness in the world economy. For example, Putin's patronal autocracy has restricted foreign ownership to some technologically unavoidable areas, while foreign capital and property have been undesirable in most other sectors, from financial intermediation to trade and education.[143] Under such circumstances, Lennart Dahlgern, the former head of IKEA Russia—by his own admission—tried to convene a meeting with Putin, but a high-ranking official told him that such a meeting would cost $5–10 million (after which Dahlgern reportedly sensed that "it would be better not to get into that discussion any deeper").[144] In contrast, in countries with relatively higher levels of foreign investment and

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[140] Lijphart, *Patterns of Democracy*, 158.

[141] Exact definitions of the related terms as well as a comparative analysis of interest group pressure and the operation of informal patronal networks can be found in the next chapter, embedded in the broader framework of an economic theory [→ 5.4.2.3].

[142] Yavlinsky, *The Putin System*, 103.

[143] Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 220.

[144] Antonova, "Ex-IKEA Boss Bares Russia's 'Chaotic Reality.'" Also, see Robinson, "Russian Patrimonial Capitalism and the International Financial Crisis."

economic activity, lobbying efforts on the patron's court level may be successful and foreign business groups can remain independent, thanks to their strong footing in their own country. Arguably, this is the case in Hungary, which has a relatively small domestic economy with strong ties to the EU, and to German companies in particular.[145] Yet these business groups still defend their own business interests and do not try to break the political stability of the regime, therefore their support is an obvious win-win for the two parties [→ 7.4.5].

As far as **the corporatist model** is concerned, it may appear in patronal autocracies as well but only in a heavily modified form. The main difference between its patronal and democratic variants can be found in two aspects: (1) the autonomy of the actors and (2) the bargaining position of the corporations. Indeed, as it overpowers the spheres of liberal democracy that would be protected by freedom rights and autonomy, **the mafia state demolishes the institutional autonomy** of the social strata composed of civil servants, of the intelligentsia employed by the state, and of employers and employees. Those who are not marginalized or ghettoized (in the sense described above) may be recruited into the mafia state's service, meaning they are forced in public service to join professional **chambers** controlled by the government [→ 6.2.2.2]. However, and this leads us to the second aspect, as opposed to the democratic (or even the fascist, pre-WWII) system of corporatism, these patronal chambers are mere client organizations which **cannot retain their corporate bargaining positions**. Indeed, the members of the arm of public service do not possess any special privileges as a body, and their status only ensures them the advantage of filling state positions, as opposed to those who are excluded from them.[146]

Though all those belonging to a corporation enjoy the advantage assured to them, they do not enjoy the freedoms that would belong to their "feudalistic" order. They are not reincarnations of the age-old feudal "gentry," with rights that cannot be revoked, but rather many public servants and newly made bureaucrats are drilled into the martial order of the rank and file. Also, in contrast to the professional chambers of liberal democracies which, albeit they may be similarly compulsory, essentially have roles in ensuring quality (consumer protection and market regulation), **the chambers of the mafia state are loyalty-warranting state organizations**. In fact, the professional chambers are transmission belt organizations [→ 3.5.2]: they have no bargaining power and only serve as a formal framework of recruitment and expulsion.

Finally, **in communist dictatorships** there are no independent organizations that would resemble the "change from the outside" workings of interest groups. Indeed, there is no need for such a role there because outside of the party state there are no other structures; and control and surveillance are in part handled by official, transmission-belt labor unions.[147] In contrast, in patronal autocracies there typically exist a number of fields that are not reached or taken over by the organized upperworld. The system is not closed in a physical sense either, whereas communist dictatorships are closed both in terms of leaving the country and state control over the totality of life. One need only recall the legal formula of "social parasitism" *(tuneyadstvo)*: the communist state not only determined

145 Scheiring, *Egy demokrácia halála* [How a democracy dies], 137–53, 229–57.

146 Cf. Lakner, "Links in the Chain," 157–63.

147 Some authors analyze subjugated departments and employees of the party state as interest groups. See Skilling, "The Institutional Development of a Minimal Parliament."

what position an individual could fill, not only regulated the conditions of advancement, but also did not allow anyone to disappear from the system; everyone had a registered place in it. Total control covered the whole of society, in accordance with Marxism-Leninism. A patronal autocracy, conversely, is pragmatic and concentrates only on the points relevant to political stability: the nodes of decision-making, trade transactions, and of course the networks that are woven around them across society.

4.3.2.4. Party systems with patronal and non-patronal cleavages

Bringing about change from the inside means aiming at **policy change through actor change**. In other words, the actors who are situated outside the leading political elite and who wish to change the status quo try to do so by changing the decision-makers. One way to do this has been described in the previous chapter: **entering the leading political elite individually**. In a liberal democracy, this means joining the ruling democratic party; in a patronal autocracy, one may seek adoption to the adopted political family. Finally, in a communist dictatorship individuals with political ambitions enroll in to the state party [→ 3.3.7]. However, this method has serious disadvantages from the point of view of change. While it typically involves a low barrier to entry, individual entrance also grants access to only minimal (often no) power initially. Therefore, if one is to change the status quo from inside through entering, he must spend considerable time and effort to leave the lowest level of the (formal or informal) hierarchy for a higher, decision-making position.

The other, more obvious method is **competing to replace the current decision-makers**. It is collective actors that can take part in competing, namely **parties** that have been typed in Chapter 3 [→ 3.3.7–9]. As we described, **in communist dictatorships** the state party is the only legitimate holder of power and therefore it cannot be challenged by other parties. This follows directly from the official communist ideology in general and non-electoral civil legitimacy in particular. Simply put, no opposition parties are allowed and no subject of the party state has a legal right to form a political party and compete. Therefore, such systems are typically described as **one-party systems** or, more precisely, as totalitarian unipartism.[148]

In contrast, both liberal democracies and patronal autocracies feature **electoral civil legitimacy** and, as part of the formal freedom of association, everyone is legally granted the right to form parties and enter the party competition. Exercising this right in order to bring about change from the outside, political actors constitute the regime's **party system**. Indeed, as Luciano Bardi and Peter Mair explain, it is precisely engagement and competition that differentiates a party system from a mere group of coexisting parties in a polity.[149]

In liberal democracies and patronal autocracies, we can speak about **multi-party systems**. Below, we provide a typology of these systems, based on **four criteria**. The first one is the **type of the main cleavage**, that is, the main source of disagreement between the competitors in how political power should be used. In other words, cleavage refers to what the non-ruling party wants to achieve vis-à-vis the protectors of the status quo. Naturally, party competition is a multi-dimensional phenomenon and there are many cleavages in

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[148] Sartori, *Parties and Party Systems*, 221–30.

[149] Bardi and Mair, "The Parameters of Party Systems."

every party system, making it questionable whether one can be picked as the main one.[150] However, in post-communist party systems there are two types that must be analytically distinguished: **non-patronal and patronal**. This is the crucial dimension to distinguish post-communist democracies, or liberal ones (like Estonia) from patronal ones (like Romania). Simply put, non-patronal cleavage lies between democratic parties, whereas patronal cleavage, between patron's parties. In patronal democracies, party competition is the competition of patronal networks, which use parties as façades to appear as genuine interpreters of the common good to win popular support and civil legitimacy. Yet their dominant motivation is indeed the elite interest: they want to use political power for the gain of their own informal patronal network. On the other hand, non-patronal competition means that the parties that compete are not based on patronal networks, and their dominant motivation is societal interest [→ 2.3.1]. This neither means that they represent no special group's material interest,[151] nor that they have absolutely no intention in using state resources for corrupt purposes (such as party financing).[152] What we claim is that parties in liberal democracies (1) are not façade-organizations of competing patronal networks and (2) the primary questions that explain the actors' competitive behavior is disagreement on policy, left/right or otherwise [→ 6.4.1].[153]

The second and third dimensions refer to **the type of competition** between the leading political elite and the opposition, on the one hand, and between opposition parties themselves, on the other. This question is related to the nature of opposition parties as well, a topic we explored in the previous chapter [→ 3.3.9]. In particular, competition can be either (a) **real**, meaning the opposition parties engage in party competition to bring about change (the leaders' party[154] vs. opposition) or be the ones that bring about the change (opposition vs. opposition), or (b) **fake**, meaning the opposition parties either do not believe they can win the elections and engage only to have a bigger share of state resources (leaders vs. opposition) or they are fake parties which engage to simulate or to neutralize—or using the term we mentioned above, neutrollize—real competition. Finally, the fourth dimension focuses on **the main field of competition**: the competition of which actors is most intense, or which competing process is most likely to bring about significant change in the polity in general and the party system in particular. Generally, this focal point can be either between the leaders and the main opposition party or between opposition parties.

Using these dimensions, six ideal typical party systems can be distinguished, each of which may prevail in one or two regime types from liberal democracy to patronal autocracy (Table 4.6). In liberal democracy, the party system is typically either a **competitive party system** or a **two-party system**. In both of these systems, the main type of cleavage is non-patronal given that the competing parties are democratic parties, and also the type of competition is real on both fields. The difference between them is in the main field of competition: while in the ideal typical competitive party system competition is equally

[150] Albright, "The Multidimensional Nature of Party Competition."

[151] Innes, "Corporate State Capture in Open Societies."

[152] Kopecký and Spirova, "'Jobs for the Boys'?"

[153] In patronal regimes, such cleavages may develop from policy-questioning to legitimacy-questioning. For the sake of clear modeling, we treat such cleavages as "non-patronal," too.

[154] This concept refers to both governing and transmission-belt parties [→ 3.3.8].

Table 4.6. Types of multi-party systems in post-communist regimes.

	Typical regime type	Type of main cleavage	Type of competition between opposition and the leaders' party	Type of competition between opposition parties	Main field of competition
Competitive party system	Liberal democracy	Non-patronal	Real	Real	No center (equally dispersed)
Two-party system	Liberal democracy	Non-patronal	Real	Real	Ruling democratic party vs. main opposition democratic party
Democratic party system with autocratic challenger	Liberal democracy	Non-patronal / patronal	Real	Real / n.a.	Ruling democratic party vs. main opposition (patron's) party
Multi patronal network system	Patronal democracy	Patronal	Real	Real	Ruling patron's party vs. main opposition patron's party
Patronal party system with democratic challenger	Patronal democracy / Patronal autocracy	Non-patronal / patronal	Real	Real / n.a.	Ruling patron's party vs. opposition democratic party (bloc)
Dominant-party system with competitive fringe	Patronal autocracy	Non-patronal	Real / fake	Real	Opposition parties against each other
Dominant-party system with fake opposition	Patronal autocracy	n.a.	Fake	Fake	n.a.

dispersed, meaning both the ruler-opposition and the opposition-opposition nexus are intense and strong fights take place between every party. In a two-party system the main field of competition is between the governing party and the main opposition party. In other words, the gap between the main challenger and other opposition parties is so big that the challenger does not have to care much about other opposition parties; and government is occupied by one or the other of these two contending parties.[155]

A liberal democracy becomes unstable when it features a **democratic party system with an autocratic challenger**. "Democratic party system" refers to either a competitive or a two-party system, whereas "autocratic challenger" refers to either (a) a democratic party which nonetheless runs on the principle of ideology implementation, that is, it aims at exclusive possession of political power, or, more often, (b) a patron's party. In either case, the party is a surging competitor or the main opposition party, and both of them want to introduce autocratic conditions: in the case of (a), conservative autocracy and, in the case

[155] Sartori, *Parties and Party Systems*, 185–92.

of (b), patronal autocracy. Thus, the governing party—and the regime itself—faces a **push toward an autocratic system**, potentially patronal autocracy if the patron's party is able to get an effective monopoly of political power [→ 4.4.2.2]. An example of such party system with challenger (a) would be Poland in 2015, when Kaczyński's party Law and Justice (PiS) party ran against the governing Civic Platform (PO). A case with challenger (b) would be Hungary in 1998, where the ruling coalition of democratic parties (MSZP and SZDSZ) was challenged by Viktor Orbán's Fidesz. Interestingly, while both of these challengers won and implemented autocratic attempts [→ 4.4.1.3], neither of them had a monopoly of political power. Therefore, they did not succeed in institutionalizing autocracy but pushed Poland and Hungary toward a conservative autocracy and a patronal democracy, respectively.[156]

The counterpart of a democratic party system with patronal challenger is **a patronal party system with a democratic challenger**. In this case, the roles are reversed: it is the patron's party that rules and it is challenged by a democratic party, creating a **push toward a liberal democratic regime**. This can happen in regimes where the patron's party, while it leads the country, has not been able to institute and stabilize a patronal autocracy; that is, it could not form a strong single-pyramid system that would be able to prevent opposition from winning. As Bunce and Wolchik explain, such situations of democratic challenge often involve the strategic formation of an **electoral bloc** by opposition parties that has "the advantages of concentrating voter choices and signaling to citizens that the opposition has a strong commitment to winning and the capacity to govern effectively."[157] Indeed, an electoral bloc is a clear sign of **legitimacy-questioning opposition**, or that the parties moved from criticism of the government to criticism of the regime [→ 4.4.4]. Hence, competition on the opposition-opposition nexus is either real or non-existent after a bloc is successfully formed.

The formation of electoral blocs has been typical in patronal democracies (e.g., Ukraine), where numerous adopted political families compete using either individual parties or party blocs.[158] However, such a party system can be described as a **multi patronal network system**, which is **the definitive feature of a stable patronal democracy**. Here, the cleavage is patronal as the competing parties are patron's parties. Yet such systems might include minor opposition parties that are indeed democratic but also disadvantaged and effectively marginalized (otherwise the system would classify as challenged). Therefore, we can say that, while such parties also engage in competition, the main field of it is between the two main patronal networks, that is, the governing patron's party and the main opposition patron's party.

Finally, **in patronal autocracies** we see dominant-party systems.[159] In a patronal autocracy, the transmission-belt party of the adopted political family does not let the opposition win; not by dogmatically banning it, like a dictatorship would, but pragmatically neutralizing it [→ 3.3.9]. Given the single-pyramid patronal network, which allows no (economic) sources to be used for supporting the opposition [→ 3.4.1.3], competing patronal networks are eliminated and/or marginalized and therefore patron's parties may exist only in a marginal position. However, opposition parties can still be (a) real opposition

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156 Magyar, "Parallel System Narratives," 632–43.

157 Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 46.

158 Minakov, "Republic of Clans."

159 Bogaards, "Dominant Parties and Democratic Defects."

parties, meaning that they would pose real competition on the ruler-opposition nexus if they were not neutralized or (b) fake opposition parties.

Accordingly, we can define two types of dominant-party systems. In case of (a), we can speak about a **dominant-party system with competitive fringe**. "Competitive fringe" is a term adopted from economics. In the model of dominant firm with competitive fringe, the concept is used to describe a high number of relatively small firms, each having a minor fraction of the market compared to a dominant seller or market leader that controls the industry and to what the competitive fringe adjusts.[160] The logic of economic model is analogous to the kind of party system we want to conceptualize in several respects. First, in this kind of dominant-party system **the opposition is fragmented and confined to the fringe**, whereas the dominant party effectively determines the rules and content of the competition. As Andreas Schedler writes, in such settings "opposition parties, while denied victory, are allowed to win votes and seats" and also they are "not subject to massive repression, although they may experience repressive treatment in selective and intermittent ways."[161] Second, in the economic model, while the dominant firm has some competitive advantage at the given moment, the competitive fringe may include potential entrants (who threaten the firm's dominant position under some circumstances). Thus, unlike a monopolist, a dominant firm must take into account the competitive-fringe firms in making its price and output decisions. Similarly, while the dominant party is a leader with much more resources than the opposition, it still needs to take into account what the opposition does. Accordingly, the adopted political family may (a) try to weaken real opposition further [→ 3.3.9] and/or (b) adjust its policy decisions so the opposition cannot capitalize on them [→ 7.4.7.3].

The third similarity between the economic model and the party system of patronal autocracy is that there is usually competition between the competitive-fringe firms, and the competition there may be more intense than it is toward the dominant firm. In a dominant-party system with competitive fringe, **while some opposition parties might still try to genuinely fight the leading political elite, they are likely to realize that winning is not an option—but maximizing seats and votes, and thus, access to state resources at each other's expense is**. As a result, competition between the leaders and the opposition might be real (and dominantly non-patronal, following that patron's parties are marginalized) but at the same time it is typically faked: **the competition's center moves from the ruler-opposition to the opposition-opposition nexus**.[162] In other words, opposition parties that realize they cannot win 'run for the silver medal instead of the gold one' as they try to lay their hands on as much access to public resources as possible.

However, in the case of (b) when the opposition is indeed fake, we can speak about a **dominant-party system with fake opposition**. In such a system, party competition is pure façade, as the "rivals" of the leading political elite are actually its creations, existing not to bring about any change but to help preserve it while maintaining electoral civil legitimacy. Therefore, the type of competition is fake on both nexuses; and we cannot speak about any existing cleavage or main field of competition either, given that there is no genuine competition in such systems.

160 George, Joll, and Lynk, *Industrial Organization*, 159–80.

161 Schedler, "The Logic of Electoral Authoritarianism," 3.

162 Cf. Ripp, "The Opposition of the Mafia State," 576–96.

4.3.3. Electing: Campaigns, Elections, and Referenda

In public deliberation, the electing phase marks **the culmination of party competition**. While most citizens may just be passive observers of the discussing and associating phases, they get active as voters *en masse* in the electing phase to decide which party should succeed in its aim to become a decision-maker. However, we focus not only on this moment of **election** but also the **political campaigns** that precede it and in which—in liberal democracies at least—the parties try to convince the voters to choose them. (Also, we discuss referenda in this part because they are also voting events preceded by campaigns, albeit they do not belong to the regular process of public deliberation for they are devices of direct rather than representative democracy.)

Campaigns and elections prevail in different forms in the three polar type regimes, and they fulfill different functions as well. **In liberal democracies**, they are **embodiments of constitutionalism**, that is, the idea that every adult should have a say in how his life is governed and therefore should not only have a right to vote but also a right to know the available alternatives (and in turn, he should have a right to run for office and campaign for support). **In communist dictatorships, basic rights and liberties are suppressed but campaigns and elections still exist**, partly for the reasons of centrally-led policy- and actor-change (campaigns) and partly because they offer a way of mobilizing and monitoring subjects (elections).[163] **In patronal autocracies**, the general function of both campaigns and elections is the **pragmatic neutralization of threats** to the regime's political stability.

4.3.3.1. Marketing campaign, loyalty-structuring campaign, rights-suspending campaign

As we talk about political campaigns in both electoral and non-electoral regimes, we need to define them in a rather broad way:[164]

- **Political campaign** is a connected series of operations designed by political actors to bring about a particular result in the polity.

Going into the specifics, we can find deep and structural differences between the dominant types of campaigning in the three ideal type regimes (Table 4.7). In the regimes with electoral civil legitimacy, political campaigns are election campaigns that take place before the elections. The campaign period can be understood as **a particularly intense part of discussing** that takes place together with electing. Also, for the masses that are usually less involved in politics this is the only phase when they engage politically and express their position in political matters.[165]

In liberal democracies, before elections we can observe **marketing campaigns**. This term refers to a situation of market-like competition, following the prevalence of

[163] Zaslavsky and Brym, "The Functions of Elections in the USSR."

[164] "Campaign," 2019. Also, we narrow the definition to domestic political campaigns.

[165] Norris, "The Evolution of Election Campaigns: Eroding Political Engagement?"

free supply—citizens are free to form, join, and support conflicting parties—and **free demand**—citizens are free to learn about the available alternatives through access to alternative sources of information.[166] Thus, such situations as well as marketing campaigns necessitate (1) freedom of assembly, as described above in the associating phase, and (2) an open sphere of communication, as described above in the discussing phase. In short, marketing campaigns represent **a situation of free choice**, as citizens can freely decide between alternative parties and candidates in the electoral marketplace.[167]

Table 4.7. Campaigns in the three polar type regimes.

Marketing campaign (dominant in liberal democracy)	Loyalty-structuring campaign (dominant in patronal autocracy)	Rights-suspending campaign (dominant in communist dictatorship)
free choice	unfree choice	no choice
bottom-up (non-state conducted)	top-down (mafia state conducted)	top-down (party state conducted)
periodic	occasional/permanent	occasional/periodic
competitive campaign (for convincing the people)	floor-monopolizing campaign (for crowding others out)	managing campaign (for coercing a state goal)
no sanction for refusal	no or indirect sanction for refusal	direct sanction for refusal

The specific features of marketing campaigns follow from their general nature. First, marketing campaigns are **bottom-up (non-state conducted)**, meaning that the *ad hoc* organization (of the party) that directs a campaign is independent of the executive and judicial organs of the state, even—or especially—in the case of the governing party's campaign. This is an institutional guarantee of the citizens' freedom of choice as well as that the campaigns, even those with conflicting goals, can compete freely on the political market. Second, marketing campaigns are **periodic** as they precede elections in liberal democracies. Third, as mobilization of "buyers" (voters) happens in a free-market environment, it also means that a marketing campaign is a **competitive campaign**, aiming at convincing the people. For this, a wide variety of means can be used including negative as well as positive campaigns,[168] but the parties cannot coerce voters into choosing them. In other words, there must be **no sanction for refusal** of a candidate's offer, for otherwise we could not speak about free choice. As Schedler argues, in liberal democracies citizens "must be insulated from undue outside pressures if they are to choose freely. If power and money determine electoral choices, constitutional guarantees of democratic freedom and equality turn into dead letters. Clearly, violence or the threat of it can keep voters from exercising a free choice."[169]

In patronal autocracies, while marketing campaigns can be conducted by the opposition, they are dominated by the leaders' **loyalty-structuring campaigns**. As opposed to marketing campaigns, these represent a situation of **unfree choice** given that supply and

[166] Schedler, "The Menu of Manipulation," 39.

[167] Cf. Norris, *Radical Right*.

[168] For a classic paper, see Theilmann and Wilhite, "Campaign Tactics and the Decision to Attack."

[169] Schedler, "The Menu of Manipulation," 44.

demand, while both exist, are not free. For (1) while opposition parties can be formed they are neutralized and a dominant-party system is established, as described above in the associating phase, and (2) a dominated sphere of communication is established, as described above in the discussing phase.

We can again deduce the main features of these campaigns from their general nature. First, loyalty-structuring campaigns are organized in a **top-down** manner by the adopted political family. Hence such campaigns are **mafia-state conducted**, and the leaders can make direct use of state resources, on the one hand, and systematically deploy the machinery of the state (state buildings, vehicles, communications infrastructure, public employees etc.), on the other hand.[170] Furthermore, while such abuses of public funds by incumbents are not particular to patronal autocracies—in Russia before Putin, tens of millions of dollars in government bonds were diverted to Yeltsin's 1996 re-election campaign[171]—it happens only in autocracies, where the leadership puts an end to the separation of branches of power [→ 4.4.3], that **law enforcement agencies also become part of the campaign staff**. Patronalized by the adopted political family, law enforcement bodies like the Prosecutor's Office helps criminalization of opponents by leaking information to patronal media and adjusts selective law enforcement to campaign objectives [→ 4.3.5].

Second, in contrast to marketing campaigns that are conducted only before elections, loyalty-structuring campaigns are either occasional or **permanent**, or at least they are not restricted to the month or so before the elections. Indeed, campaigns play an important role in dominating the sphere of communication, not only in the adopted political family's media but also on billboards, mailings, leaflets, and the like.[172] Third, the role of such excessive campaigning is not competing with other messages but crowding them out; as in the general sphere of communication, where the messages of the opposition are not confronted in a nation-wide public debate but are limited by crowding their media out. Therefore these campaigns can be described, not as competing but as **floor-monopolizing campaigns**, setting the public agenda with the use of administrative means.

Finally, refusing the adopted political family's offer—that is, not voting for it—may involve **no sanctions or indirect sanctions**. Whether there are sanctions typically depends on three criteria: (1) the voter's existential position, meaning how much he depends on state revenues (jobs, contracts etc.) that the mafia state can renounce; (2) whether he advertises his views or not, meaning whether the adopted political family knows that he supports the opposition; and (3) whether he represents a threat to political stability. Naturally, lower-level members of the adopted political family (or the state apparatus) can easily be overzealous and discriminate against every opposition voter they can. But following the mafia state's pragmatism, sanctions from the top are applied only when the person is dangerous—like a journalist, an entrepreneur or oligarch who would try to support the

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170 Levitsky and Way, *Competitive Authoritarianism*, 10.

171 Levitsky and Way, 10. Also, see Hoffman, *The Oligarchs*, 348–51.

172 In Hungary, for instance, this can be tracked very well in the migration crisis. Transmission-belt party Fidesz started campaigning against migration in 2015 and has not stopped since (as of 2019), spending more than a 100 million EUR in tax monies by formally governmental means like national consultation, information campaigns, and a referendum designed solely for campaign purposes in 2016. Madlovics, "It's Not Just Hate."

opposition, or the family member of a prominent member of the opposition.[173] (Also, such sanctions have a demobilizing effect as a result of negative signaling.)

The final type of campaigns are **rights-suspending campaigns** of communist dictatorships. As it takes place in a non-electoral environment, its function and character vastly differs from that of marketing and loyalty-structuring campaigns. The definition of "campaign" in *The Great Soviet Encyclopedia* reads as follows: "Specially organized work for a certain period, activities aimed at implementing important recurring social and political, economic, or cultural measures."[174] Indeed, a rights-suspending campaign is a coercive mechanism, representing **no choice**, used by high-level nomenklaturists who turn the state apparatus into "movement-mode." This means that lower-level nomenklaturists and/or (certain groups of) the population are **assigned to fulfill a centrally determined goal that could not be demanded legally** or the fulfillment of which could not be insured with the routine legal operation of the apparatus. Hence, although communist subjects are granted minimal legal rights in the first place, even those rights are disregarded during campaigns.[175]

Since they can target a wide variety of bottlenecks in totalitarian rule, rights-suspending campaigns can be either political or economic. We describe economic campaigns in the next chapter in detail [→ 5.5.6.2]. As far as **political campaigns** are concerned, their essence is indeed **policy change with actor change**. In lieu of actor-changing elections, high-level party cadres can use campaigns to make mass replacements within the state's bureaucratic apparatus. However, the party state faces the peculiar problem of legitimizing such actions, for the party is the vanguard of the working class and therefore it should be flawless. Thus, it has to build up a campaign against "traitors," that is, people who deviated from the official ideology and betrayed the party and the working class. Such campaigns can be described as **the inverse of a democratic electing phase**:

1. as opposed to mobilizing in favor of those who are to fulfill state positions, the party state mobilizes against those who are to be removed from state positions by inventing an enemy who the people can associate them with (vigilance campaigns);[176]

2. as opposed to choosing a frontrunner as the top candidate, the party state chooses a "frontrunner" as the number one scapegoat who is to be convicted as the main traitor or conspirator (Nikolai Bukharin in the Soviet Union, László Rajk in Hungary, Rudolf Slánský in Czechoslovakia etc.);

3. as opposed to holding a party convention as the peak of the campaign, the party state holds show trials where the "frontrunner" scapegoat is convicted for fabricated charges;[177]

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173 Minzarari, "Disarming Public Protests in Russia," 399–401; "Political Discrimination in Hungary."

174 "Campaign," 1979.

175 This part on campaigns relies primarily on research one of the authors did in the 1980s. See Magyar, "Kampányok a falusi térben az ötvenes évek elején [Campaigns in the countryside in the early '50s]."

176 Goldman, *Inventing the Enemy*. Indeed, vigilance campaigns exist not only in the context of cleansing campaigns but to legitimize any discrimination of "enemy" groups, such as capitalists or "kulaks."

177 Hodos, *Show Trials*.

4. as opposed to the frontrunner and his team occupying state positions in the end, the party state cleanses the alleged "team" of the "frontrunner" from state positions;
5. as opposed to the frontrunner gaining the highest state position (head of executive), the party state punishes the "frontrunner" as a result of the show trial (he is typically executed).

Indeed, this inverse procedure (1) fits to the official ideology, for if the party is the vanguard of the working class, its members can be barred only if they become traitors and conspire against the state party, and (2) shows that in a stable, ideal typical communist dictatorship **there is no peaceful, democratic way of actor change**.

The features of rights-suspending campaigns can be listed as follows. First, the campaign is **top-down**, managed by the state party or a special apparatus. This campaign apparatus is merged together with the executive and judicial organs of the state into a single complex of institutional power, which both desires and affects the pre-emption of choice. Second, they **may be occasional as well as periodic**, given that they are not linked to election cycles but to overcome the *ad hoc* fulfillment problems of the central plan. Third, this kind of campaign that coerces out a state goal can only be regarded as **managing campaign**, whereby the top-level nomenklatura micromanages the population and the lower-levels to fulfill certain tasks they are assigned. Finally, non-compliance with campaigns brings **direct sanctions**, which can be extra-legal or "social" (public humiliation) as well as legal.

4.3.3.2. A typology of elections

Turning to elections, they can be defined in general as follows:

- **Election** is a formal process by which the voting population in a polity chooses an individual (or a party) to fulfill a public office (or form a government) for a predefined term.

In hybridology, popular ways to differentiate electoral practices in democracies and in more authoritarian regimes involve the consideration of (a) whether elections are **free and fair** and (b) whether there is **institutional bias** in the electoral system (such as gerrymandering, which means rewriting electoral district borders in favor of the incumbents). As for (a), Levitsky and Way write that in liberal democracies "elections are free, in the sense that there is virtually no fraud or intimidation of voters, and fair, in the sense that opposition parties campaign on relatively even footing: They are not subject to repression or harassment, and they are not systematically denied access to the media or other critical resources." They contrast this state of affairs with hybrid regimes where "elections are competitive [but] often unfree and almost always unfair," involving "manipulation of voter lists, ballot-box stuffing, […] intimidation of opposition activists, voters, and poll watchers, and […] skewed access to resources and media."[178] As for (b), Schedler mentions gerrymander-

[178] Levitsky and Way, *Competitive Authoritarianism*, 7–8.

ing, a generous "governability clause" and majoritarian electoral rules as practices which have "[proven] effective at minimizing the parliamentary weight of opposition parties."[179]

The general difficulty with these variables lies in continuum problems. In no democracy is there perfect balance between the competitors' resources, yet there should be a dividing line between fair ("relatively even") and unfair ("seriously uneven") differences; many democracies feature majoritarian electoral rules and even governability clauses are not unprecedented, yet there should be a dividing line between the "democratic" and "undemocratic" effect of these systems on the incumbents' removability, and so on. Naturally, hybridologists have found ways to operationalize these variables[180] but there has been considerable arbitrariness in their solutions,[181] and also in drawing lines between democracies and autocracies in general.[182] Indeed, some arbitrariness is logically unavoidable when it comes to solving continuum problems.[183]

One way to overcome this problem is speaking in relative terms, analyzing the direction of change rather than the concrete status at any given moment. We cannot draw an exact line between "relatively even" and "seriously uneven" playing fields, but we can assess whether a regime makes the playing field more or less uneven. Yet this is appropriate only to case-by-case analysis, not the creation of a typology. For that purpose, we submit that it would result in less ambiguous and more easily operationalizable variables if we redefined the criteria above as follows:

1. from "institutional bias," we create the variable **"adoption of electoral system"** with the following possible values: **consensual and one-sided**. "Consensual" denotes that the given election is conducted with rules that were accepted in the legislature by both the leaders' party and the opposition (i.e., at least a real opposition party). "One-sided," on the other hand, denotes that the electoral rules the election runs by were adopted by the leaders, without the votes and agreement of the (real) opposition;[184]

2. from "fairness," we create the variable **"legality of the leaders' campaign funding"** with the following possible values: **legal and illegal**. Typically, in formally democratic regimes, using state resources or the state apparatus for campaign purposes is illegal, hence the leaders can be said to be using "legal + illegal" resources (as they also use their legal sources). On the other hand, if there are no such instances of illegality, the leaders' campaign funding can be regarded legal.[185]

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[179] Schedler, "The Menu of Manipulation," 45. See also Schedler, "Democracy's Past and Future."

[180] For example, see Levitsky and Way, *Competitive Authoritarianism*, 365–71.

[181] Bosch, "Mapping Political Regime Typologies," 114; Cheibub, Gandhi, and Vreeland, "Democracy and Dictatorship Revisited," 74–79.

[182] Bogaards, "Where to Draw the Line?"

[183] Bogaards, "Measures of Democratization."

[184] We are indebted to Miklós Haraszti for this idea.

[185] While freedom of election is normatively important, in the post-communist region, if the freedom of election is impaired, then so is its fairness. Thus, we regarded "free" superfluous for our typology of elections and rejected it for the sake of parsimony.

With these variables we draw practically the same line as hybridologists when they talk about "competitive" or "electoral authoritarianism." In cases of gerrymandering and majoritarian rules that help the incumbents, the adoption of electoral system is typically done one-sidedly and the (real) opposition does not vote for the change disfavoring it. Also, illegal funding is precisely the reason that can cause resource disparities that "far exceeded anything seen in established democracies,"[186] including the partisan use of public institutions and tax monies. Yet consensuality and legality provide clearer distinctions as they avoid much of the ambiguity that stems from continuum problems of the usual variables.

Besides these two variables, we will also use (1) **access to nationwide TVs for the real opposition**, defined on a continuum from open to restricted and from restricted to closed, and (2) **neutrality of public institutions**, defined on a continuum from neutral to biased and from biased to hand-guided. (By "public institutions" we mean not the state media but the courts, the national election office, the Prosecutor's Office etc.) These new variables are more difficult to operationalize and indeed their values are subject to continuum problems. However, they should be understood as "relative variables," by which we mean that their value in one point should be understood with respect to their value in another. For instance, we can say that if the electoral system was accepted one-sidedly, then public institutions are ideal typically less neutral than in consensually accepted systems, or we can differentiate between systems where the real opposition has some access to nationwide TVs and where there is none. Thus, these variables are rendered usable and by them we can reflect on important dimensions of the elections.

Table 4.8 differentiates **four types of elections**. In two of these, the adoption of the electoral system is consensual: **fair elections and unfair elections**. The difference between them is in the leaders' campaign funding, which involves both legal and illegal elements. Yeltsin's above-mentioned campaign is a good example: although minor changes in the electoral system were instituted a few months before the election, the adoption of the electoral system was consensual, whereas he accessed campaign funds illegally. Access to nationwide TVs and neutrality of public institutions is ideal typically worse than in case of fair elections, but certainly not to a degree that would change the result as significantly as the disparity of resources does. Therefore, **while fair election is ideal typical to liberal democracy, unfair election is ideal typical to patronal democracy**.

The third type of election is a **manipulated election**. Here, the adoption of the electoral system is already one-sided, meaning not only the arbitrary changes of district borders (gerrymandering, like in Hungary) but of any detail, such as the criteria for becoming electoral candidate (like in Russia) or the manipulation of electoral thresholds (like in Moldova). In addition to changing the rules as they please, the leaders in manipulated elections can access illegal as well as legal resources for campaigning. Adding that access to nationwide TVs for the real opposition is more restricted than in unfair elections (dominated sphere of communication) and that public institutions are biased, we can say that it is manipulated elections that (1) feature loyalty-structuring campaigns and (2) are **ideal typical to patronal autocracies**.

[186] Levitsky and Way, *Competitive Authoritarianism*, 11.

Table 4.8. Types of elections.

	Adoption of electoral system	Legality of the leaders' campaign funding	Access to nation-wide TVs for the real opposition	Neutrality of public institutions
Fair elections	Consensual	Legal	Open	Neutral
Unfair elections	Consensual	Legal + illegal	↓	↓
Manipulated elections	One-sided	Legal + illegal	Restricted ↓	Biased ↓
Uncontested elections	One-sided*	Legal (+ illegal)**	Closed*	Hand-guided

*: In dictatorships, there is not even a legal opposition to run.
**: In dictatorships, there is no need for illegal funding as the state party can use public resources legally.

Based on Hale's research of such regimes and their electoral practices, **the functions of manipulated elections** can be grouped as follows:[187]

- **loyalty demonstration:** in the case of manipulated elections, a profane, electoral act becomes a sacred demonstration of loyalty. The "elections" are a show of subservience on the part of patronal networks and their members, an occasion for the leaders to mobilize supporters;
- **controlled renewing of formal, political positions of the patronal network:** elections can provide a useful mechanism for co-opting other networks, distributing monies, or facilitating power-sharing among the important elite groups. Furthermore, Hale argues, they can test the quality of new public employees to staff the autocratic regime, discovering new, potentially valuable clients. Indeed, the members of the adopted political family who are assigned public functions must be endowed with certain abilities in order to complete the tasks expected of them by the patronal network in such a way as to minimalize the violent mechanisms of coercion [→ 3.6.2.3];
- **stabilization, risk minimization:** regimes that do not allow regular elections face crises and revolutions, but these tend to be highly unpredictable for the ruler. This risk gives leaders an interest in channeling public challenges through more predictable mechanisms, i.e., (manipulated) elections. In so doing, leaders structure the political struggle according to ground rules that they themselves design, that enable them to prepare long in advance, and that reduce the chances of losing power;
- **legitimation:** chief patrons derive legitimation even from manipulated elections. Such victories tell everyone that the officially winning chief patron in fact does

[187] Hale, *Patronal Politics*, 66–76.

> possess the raw power to manipulate elections and orchestrate a win, creating incentives for society's networks to coordinate around the winners' networks, reinforcing the single-pyramid arrangement.

As Hale explains, manipulated national elections enable patronal power networks to communicate their relative strength, with the dominant ones making clear that they are capable of following through on their promises to deliver resources or carry out punishments in the future. This is essential for keeping potentially opportunistic elites in line.[188]

Clearly, **the stake of elections for the rulers** is different in liberal democracies and patronal autocracies. **In a liberal democracy**, losing an election means the loss of governing power and ability to realize policies. But a party, having been removed from power, does not get excluded from the political arena. On the contrary, **former rulers go into opposition**, where they can go on participating in the process of public deliberation in its next cycle. Democratic rulers commit nothing illegal in power, or at least they do not have krysha eliminating any possibility of prosecution against them [→ 3.6.3.1]. Thus, they do not need to face a (reactivated) prosecution once they are ousted from power. In sharp contrast, **in a patronal autocracy** the rulers commit crimes by the very nature of the system, heading an informal patronal network that accumulates personal wealth with the assistance of the prosecutor's office [→ 4.3.4.3, 4.3.5.2]. Running the state as a criminal organization, **the chief patron risks persecution and going into prison if he loses**. In an empirical study, Abel Escribà-Folch found that in so-called personalist regimes (of which patronal autocracy would be a subtype), the political career of post-WWII autocrats ended in exile, jail or death 63% of the time—more often than military dictators (51%) and nearly twice as often as monarchs (37%).[189] In the post-communist region, we may mention three notable examples (in chronological order): Viktor Yanukovich, former Ukrainian chief patron who was overthrown in the Euromaidan revolution and has been in exile in Russia since, while a Ukrainian court sentenced him *in absentia* to thirteen years' imprisonment for high treason [→ 4.4.2.3]; Nikola Gruevski, former Macedonian chief patron who was forced to resign and was sentenced to two years in prison on corruption charges, although he has managed to escape with the help of the Macedonian and Hungarian secret services [→ 7.3.4.3]; and Vladimir Plahotniuc, former Moldovan chief patron who fled the country with his patron's court in face of strong international pressure [→ 7.3.4.4]. The point of these cases is that **electoral victory is a matter of "life or death" for the chief patron**, not a matter of staying in power or temporarily losing influence over public policy (as in liberal democracy). This is one important reason why chief patrons manipulate elections and try to make sure they stay in power, not only to fulfill their patronal policy goals in general.[190]

Arriving at the end of Table 4.8, we speak about **uncontested elections** where the votes are not "counted" and instead the desired "results" are simply announced, and the measures described above are also present in their extreme forms. The attrition of political

[188] Hale, *Patronal Politics*, 72.

[189] Escribà-Folch, "Accountable for What?"

[190] Cf. Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance."

actors is at times replaced by their liquidation, literally: the bans on opposition parties, imprisonment of their candidates, forced exile or physical liquidation of their charismatic figures.[191] These elements may appear already in extreme forms of patronal autocracy (where the mafia state is neosultanistic rather than neopatrimonial, such as in Turkmenistan or Uzbekistan), but uncontested elections exist more generally **in communist dictatorships**. In the Soviet Union, there was only one party and one delegate to vote for; in communist Poland, only the delegates of a transmission belt of the communist party, the Front of National Unity—the organization that handled the elections itself—were allowed to run in the elections. The function of these elections was neither countrywide policy-change nor to gain electoral legitimation *per se*. Instead, the main, ideal typical function is **to mobilize and monitor both the ordinary subjects**—who are supervised by so-called canvassers to register and vote afterwards—**and the candidates**—who the party wants to "run" for certain positions in the nomenklatura.[192] This all-round surveillance and totalitarian mobilization of everyone is **in sharp contrast with patronal autocracies**, where the mafia state's above described practices can be summed up as **a pragmatic, mixed technique of mobilization of supporters and demobilization of non-supporters**.

4.3.3.3. Voting without an associating phase: referenda

Last but not least, we turn to referenda as a special kind of voting event. Referenda may be defined as follows:[193]

- **Referendum** is a formal process by which the voting population in a polity is asked to vote directly on an issue or policy.

Referenda represent **a shortcut of the public deliberation process**. While elections are embodiments of representative democracy, where the way adults have a say in how their life is governed is ensured through elected representatives, creating laws according to the wishes of their electorate, referenda are a form of direct democracy where the people vote directly on issues, laws or people in a binary "yes or no" (accept or do not accept) format.[194] Therefore, while elections must be preceded by associating, that is, the phase where parties are formed which can run for the people's votes, referenda do not necessitate such organizations and **the structured institutions of mediation of the popular will do not play a role.** Referenda are typically preceded by campaigns, that is, an intense form of discussing, but then they skip the next stages of public deliberation and allow direct decision-making for the majority.

In liberal democracies, the political system is dominantly representative; referenda, if permissible in the legal order, typically play only a **limited role**. On the one hand, their role is limited as they are irregular and indeed rare events. Most of the laws are created,

[191] Levitsky and Way, *Competitive Authoritarianism*, 7.

[192] Zaslavsky and Brym, "The Functions of Elections in the USSR."

[193] Morel, "Referendum."

[194] Morel, "Referendum," 502–8.

amended or abolished by legislatures, that is, the representatives who decide on behalf of the people, and referenda are held only on a few specific issues of high public interest.[195] On the other hand, while it is the constitutional right of every adult citizen to initiate a referendum, the issues that referenda can be held on are typically limited (a) by the type of the issue (for example, tax laws or budget acts are often excluded) and (b) by the type of the referendum itself (for example, it sometimes cannot be propositive—one that adopts a new law—but only abrogative—one that repeals an effective law).[196] Historically, we may highlight two fundamental questions when referenda have been usually held: **(1) approval of a new constitution**, which means that the basic "rules of the game" are not simply created by politicians but are also accepted by the population directly; and **(2) membership in an international alliance**, especially the EU, which has required candidate countries to hold a referendum on whether the people want to join or not. Also, within the above-mentioned limits referenda have been initiated in **(3) specific policy issues** as well, either by the government—to reinforce current policy with the people's confidence or to pass legislation that otherwise would be impossible to pass—or by opposition and independent citizens—to change laws that the current government would not change on their own.[197]

One might expect that referenda play a more substantial role **in patronal autocracies**, for they apparently fit the ideological framework of populism. The denial of the structured institutions of mediation of the popular will is part of populism's definition, and what referenda realize is precisely a direct link between the people and the head of executive, who is told in the referendum what the majority wants.[198] However, just as we have seen that populism, while referring to the people and civil legitimacy, indeed leads to removal of state decision-making from the hands of the people and instead the populist decides what is in the "national" or "in the people's interest," patronal referenda are also means of patronal appropriation of the interpretation of the common good. Indeed, referenda in patronal autocracies are used **to reinforce the chief patron in his position of sole interpreter of the common good** and to remove limits on his power or, in the populist narrative, to allow him to step over unnecessary legal constraints to the realization of the goals of "the people" (substantive-rational legitimacy).

Analyzing post-communist referenda, Ronald J. Hill and Stephen White find that "it is remarkable to observe the frequency with which the referendum has been deployed […] to bolster undemocratic leaders and regimes and circumvent limits on their authority."[199] For example, in Azerbaijan a referendum was held in 2009 on 29 constitutional amendments, including the abolishment of term limits for the president and several measures that further concentrated power in the hands of chief patron Ilham Aliev. The referendum was preceded by no democratic discussing but by a loyalty-structuring campaign, intimidating voters and all those who opposed the reform of the constitution.[200] Similarly, in Belarus the two-term limit for presidency was loosened to a three-term one in 2004 and then fully

[195] Morel, "Referendum," 512–14.

[196] Morel, "Referendum," 508–12.

[197] Mendelsohn and Parkin, *Referendum Democracy*.

[198] Cf. Hazareesingh, *In the Shadow of the General*.

[199] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 124–25.

[200] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 129–32.

abolished, allowing chief patron Alexander Lukashenko to rule indefinitely. Earlier, in 1996 a referendum changed the constitution to concentrate in his hand the power to make such key appointments as to the Supreme Court, the Supreme Economic Court, the Chairman and members of the board of the Central Bank, the Prosecutor General, the Chairman of the Constitutional Court and the Chairman of the Central Commission for Elections and Referendums [→ 4.4.1.3].[201] We can find more examples in Central Asia in countries like Uzbekistan, Kazakhstan and Kyrgyzstan, where the general tendency for referenda has been to enhance the power of the presidency and reduce democratic provisions.[202] After having the parliament accept similar changes, Russia's Vladimir Putin also proposed a referendum on constitutional amendments in 2020 to further concentrate formal presidential power and allow him to rule for another 16 years, beyond term limits [→ 4.4.2.2].

On the other hand, **no referenda of the opposition** have been held in patronal autocracies yet. Indeed, referendum as a means of public deliberation is neutralized in a patronal autocracy, as **the reference to direct popular will becomes a means of excluding deliberated popular will**. Neutralization can be realized through tightening requirements for holding a referendum (increasing the number of signatures needed to hold one etc.) or through patrimonializing the office which decides on referenda and thus dismissing referendum initiatives in a politically selective way. A particularly brutish way of neutralization was applied in Hungary, where in 2016 a group of skinheads related to Fidesz party director Gábor Kubatov physically blocked the way of socialist politician István Nyakó to the National Election Office, preventing him from submitting a referendum initiative.[203] The police started investigations but eventually stopped them "in the absence of criminal offense," which investigative journalists claimed to be a case of politically selective law enforcement [→ 4.3.5].[204]

Finally, **in communist dictatorships** referenda are typically deemed **just as unnecessary as multi-party elections**, and the subjects have no right to initiate a referendum (let alone in opposition to the state party).[205] Historically, referenda became a main event of politics in a communist dictatorship when they contributed to its dissolution, including the 1987 referendum of Poland and the series of independence referenda of member states of the Soviet Union in 1991.[206]

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[201] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 132.

[202] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 132–33. Also, it is interesting to compare these post-communist cases with that of the 1988 Chilean referendum. Leader of a conservative autocracy, Augusto Pinochet wanted to extend his rule for another eight years in a referendum. But unlike patronal autocrats who have easily won such referenda by suppressing real opposition and dominating the sphere of communication, the conservative autocrat Pinochet was voted down and he did accept the result, ending his more than 16-year rule in power. Indeed, this is precisely what differentiates an ideology-driven right-wing politician from an ideology-applying populist [→ 6.4.1].

[203] Balogh, "No Referendum, No Matter What It Takes to Prevent It."

[204] Csikász and Rádi, "Kubatov kopaszai akcióztak az NVI-nél, felülről állíthatták le a nyomozást."

[205] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 114–16.

[206] Hill and White, "Russia, the Former Soviet Union and Eastern Europe," 116–24.

4.3.4. Lawmaking: Policies, Laws, and Legislatures

The lawmaking phase starts when it is decided who will be the (formal) decision-makers in a polity. The main attribute of decision-makers is that they decide how the state's political power should be used, and that means that they will create laws and regulations within the formal institutional setting of the polity.

When we assess actors who form a government, first of all we must differentiate between **(1) policy-questioning and (2) legitimacy-questioning actors**. Simply put, the former wish to play the game whereas the latter want to rewrite its rules first. Just as in case of legitimacy- and policy-questioning protests, policy-questioning actors do not step out of the regime's logic in the sense that they want to use political power as it is defined and delimited by the current constitution. On the other hand, **legitimacy-questioning actors want to use political power in ways that would not be allowed by the legal framework in which they are empowered**.[207]

The legitimacy-questioning actor can be either a populist or a communist (by which we now mean actors who want to institute a communist dictatorship). In case of the former, we can see a democratic party system with a patronal challenger. Here, the populist enters party competition and if he wins, he will want to step out of the limits that constitutionalism would grant him. If the legitimacy-questioning actor is a communist, however, he or his party may not even enter the competition but replace the prevailing system in a violent revolution.[208] This reflects the difference between the attitude of populism and Marxism-Leninism: while a communist revolutionary (1) is doctrinarian and wants to replace the whole initial system and (2) wants to introduce formal repression, a populist (1) is pragmatic and does not want to replace the whole initial system and (2) wants to introduce informal repression. In other words, while the communist will form the entire formal institutional setting to be able to introduce totalitarian rule legally, a populist faces a trade-off between adjusting the system to autocratic rule and keeping repression informal. Thus, while making many institutional changes, the populist leader (chief patron) will still have to step over laws regularly and therefore operate a criminal state, should he have the monopoly of political power to institute one [→ 2.4.4, 4.4.2].

Given this entire part deals with the institutions of public deliberation in ideal type regimes, that is, stable polities, we postpone the discussion of transitional periods and legitimacy-questioning lawmaking (institutional reorganization) to a later part [→ 4.4.3]. Now, we analyze lawmaking in already instituted, stable polities, along the links in the following chain of reasoning:

1. the actors who become **decision-makers** are **of a certain type**, as explained above when we differentiated democratic, patron's and state parties;
2. certain types of actors have **certain kinds of policy motivations**, that is, how they wish to use political power;

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207 Scheppele, "Autocratic Legalism."

208 Hobsbawm, *Age of Extremes*, 54–84.

3. certain kinds of policy motivations can be achieved by creating and using **certain types of law**;
4. certain types of laws can be created only via **certain types of legislatures**, fitting to the regime's broader institutional setting.

The first step is the antecedent of the lawmaking phase, whereas the other three steps comprise it (assuming legitimacy-questioning and regime-changing). The next parts are devoted to Steps 2, 3 and 4, in that order.

4.3.4.1. Public policy, power policy, patronal policy

In any political regime, formal political actions of the state[209] can be called policies:

- **Policy** is a way of using political power by formal means (via the formal channels of the state).

To determine the type of policy that is dominantly undertaken in the three polar type regimes, we need to assess the type and motivations of their decision-makers, that is, the ruling elite [→ 2.3.1]. **In a liberal democracy**, the winner of the elections is a **democratic party**. Accordingly, its dominant motivation is the societal interest which means that (1) it is **ideology-based**, therefore it wants to use political power to organize society in accordance with some sort of ideology, left/right or otherwise,[210] and (2) its use of **political power is constrained**, given the internal structure of democratic parties, on the one hand, and the regime-level checks and balances which follow from constitutionalism, on the other [→ 4.4.1]. Therefore, their use of political power is embodied, dominantly, in public policies:

- **Public policy** is a type of policy in the principle of societal interest, meaning it aims at realizing an ideology but without power monopolization.

Public policies include the varieties of activities associated with welfare states, including social programs, public education and healthcare, tax policy, market regulations (like consumer-protection or the minimum wage), and so on. There are many different variants of (combinations of) such programs, depending on the ideological position of the incumbent. However, as a common point, they all do follow an ideology and respect the "rules of the game," that is, constitutionalism and human dignity in general [→ 4.2.2].

A **communist dictatorship** is led by a **state party**, the dominant motivation of which is totalitarian ideology implementation. On the one hand, it wants to **implement its ideology** and in this respect it is not unlike democratic parties, but its ideological framework also involves the bureaucratic appropriation of the interpretation of the common good. Therefore, it wants to achieve the realization of communist ideology through the exclusive

209 We will mainly speak about the ruling elite occupying the central government, although in another context our definitions would be applicable to local governments as well.

210 Albright, "The Multidimensional Nature of Party Competition."

possession of political power. On the other hand, a communist dictatorship is **totalitarian**, meaning it uses political power to dominate and merge every sphere of social action into a single political entity in a doctrinarian manner. Sakwa summarizes the concept of totalitarianism as follows: “Totalitarianism focuses on the structure and application of power at the centre and stresses **the destruction of alternative sources of power and influence (‘islands of separatism’) in society**. In a totalitarian society all intermediate institutions between the party and the masses are eliminated. Among other things, law becomes subordinate to the power centre and in practice loses any semblance of independence from the state and party. […] This is usually described by the term **atomization**, the destruction of all social ties and groups not necessary for the maintenance of the totalitarian system. The regime **obliterates the distinction between private and public spheres** and individuals are marked by loneliness, anomie and alienation” (emphasis added).[211]

In line with this, in communist dictatorships we predominantly encounter power policies:

- **Power policy** is a type of policy in the principle of ideology realization, meaning it aims at realizing an ideology through power monopolization.

For examples, one can think of indoctrinating education, suppressive cultural policy, full employment, and central planning of the economy as typical power policies, all of which—in an ideal typical socialist system—embody and promote the principles of the official communist ideology.

Finally, **in patronal autocracies** the winner of the elections is a **patron’s party**, which means the *de facto* leading political elite is comprised of the adopted political family. The dominant motivation of the informal patronal network is elite interest, meaning the twin motives of the accumulation of personal wealth and power monopolization that all public policy considerations are subordinated to. Accordingly, a mafia state’s policies are dominantly not public but patronal policies:

- **Patronal policy** is a type of policy in the principle of elite interest, meaning it aims at accumulation of personal wealth and power monopolization.

Indeed, we can say that, while a patronal autocracy is formally democratic, its policies should not be analyzed as public policies. For ***par excellence*** **public policies only exist in democracies, where elite interest does not take the place of societal interest**. Primarily, patronal policies regard **patronalization and patrimonialization** in the spheres of social action, whereas public policy objectives as reasons for political decisions are relegated to the background. What they have is not public policy reasons but **public policy consequences**, that is, effects on the society that endures them. While effects like growing

[211] Sakwa, *Soviet Politics in Perspective*, 157. Also, in the following pages Sakwa explains that this “classical” understanding of totalitarianism has been criticized as too static and also inaccurate, presenting communist dictatorships as leak-proof monoliths while in fact they were not. However, it is precisely such a static concept we need for an ideal type, to which real world systems can be compared to in terms of congruence and deviance [→ *Introduction*].

inequality or impoverishment of lower social strata are expressed in analytical terms usually used in sociology and for the evaluation of public policies, it must not be forgotten that, presuming the validity of the mafia-state framework for a country, these are only the corollaries or "side effects" of the realization of the central motives of the adopted political family.[212]

4.3.4.2. Laws and legal systems in accordance with legitimacy

Policies are manifested in **laws**:

- **Law** is a legal device for the formulation of policies, used by political actors and backed by state coercion (formally).

Again, this definition of law is rather vague, meaning we do not restrict the term (as some languages do) to legislative statutes. When we say "laws," we refer to every formal, legal device (1) used by political actors and (2) backed by state coercion (formally, that is, according to the state's declared intent). In other words, laws prescribe how state institutions should work, both in terms of the internal organization of their own workings and the external organization of the society. Laws regulate the people's behavior, and they constitute "the principal instrument by which the government exerts its will on society."[213] Hence, laws—which may also take the form of statues, decrees, regulations etc.—are none other but formal means of political action and therefore the codified forms of state policies.

Certain types of policies require certain types of laws. In case of **public policies**, what is required is limited law:

- **Limited law** is a law formulated for public policies and applied in a legal environment that limits its content and enforcement, meaning it must be congruent with the constitution and with other laws.

More precisely, a hierarchy of norms prevails where every law (decree, regulation etc.) must be congruent with the law above it, wherein the constitution is at the top of the legal hierarchy as the highest source of law.[214] Thus, limited law also means that the leaders do not stand above the constitution or the law; rather, they are subordinate to it in the sense that they cannot act arbitrarily, choose to act or not to act "at their pleasure," but their political action is constrained by existing laws and regulations (i.e., rule of law).[215] Indeed, **legal-rational legitimacy** means exactly that: the law is treated as an end in itself, which cannot be disregarded whenever it does not fit the leaders' (or the people's) immediate goals. The character of law that fits to these principles is summarized in "simple recipes for institutions" by Martin Krygier and Adam Czarnota as follows: "punish only prospec-

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212 For further discussion, see Chapter 7 [→ 7.4.7].

213 Whittington, Kelemen, and Caldeira, *The Oxford Handbook of Law and Politics*, 1.

214 McLeod, "Kelsen's Hierarchy of Norms."

215 Krygier, "Rule of Law."

tively, not retrospectively, on the basis of clear, public, stable rules."[216] These principles serve predictability, on the one hand, and the respect of human dignity of citizens, on the other. Citizens have a right to know what legal rules apply to their actions. Furthermore, human dignity also entails the recognition of "autonomous zones of freedom for the citizen which cannot simply be taken over in the interests of society as a whole. This may be seen in the constitutional guarantees of civil rights, in many rules of criminal procedure which protect personal freedom and in […] especially constitutional courts, which are independent of the executive."[217] Hence, while they—following the definition of public policy—do try to organize society according to a certain ideology, limited laws embody political action within a strict, institutionally protected limit of *de jure* norms.

In contrast, **substantive rational legitimacy** that prevails in communist dictatorship and patronal autocracy means that **law becomes subordinated to the leaders**. As the general party secretary commands and the chief patron disposes over the country as if it were his own property [→ 3.3.1, 2.4.2], a materialistic dispensation of justice takes the place of formal judicial services. In other words, **law gets instrumentalized** which is a prerequisite for the implementation of power and patronal policies and marks a change in the character of laws fitting to such policies. Thus, instead of limited law, substantive rational legitimacy entails **instrumental law**:

- **Instrumental law** is a law formulated for power or patronal policies and applied in a political environment that determines its content and enforcement, meaning it must be congruent with the leaders' will.

As Podgórecki explains, a legal system where law is used as an instrument of power "contains two opposite tendencies: (a) a tendency to pretend that it respects the requirements of normative consistency, legal hierarchy, and internal coherence; and (b) a tendency to conform blindly to the political requirements of the actual power."[218] In more detail, we can identify on the basis of Podgórecki's analysis **the essential features of instrumentalized legal systems**, characteristic to dictatorships and autocracies alike:[219]

- **the "highest source of law" is the leading political elite**, therefore it is not the constitution but the will of the leaders that official law (and its enforcement) must be congruent with;
- **official law is valid only when it is congruent with an informal "shadow norm,"** which is not legal but political in nature, and reflects the leaders' political—power or patronal policy—goals;
- **the preconceived function of law is more important than the law itself**, meaning the interpretation of official law is pliable to changing political situations and it loses its principled character of impartiality;

[216] Krygier and Czarnota, "The Rule of Law after Communism," 4.
[217] Zweigert and Kötz, *An Introduction to Comparative Law*.
[218] Podgórecki, "Totalitarian Law: Basic Concepts and Issues," 6–7.
[219] Podgórecki, "Totalitarian Law: Basic Concepts and Issues," 10–21.

- **the law can be easily changed in harmony with the desires and current interest of the leading political elite,** legitimized by their (bureaucratically or patronally appropriated) interpretation of the common good**;**
- **the constitution becomes a façade document**, formally declaring *de jure* principles of state functioning and individuals' rights but *de facto* disregarded vis-à-vis the shadow norm and not hindering the leaders from shaping the law according to their objectives.

Furthermore, as Sakwa points out, in such regimes the legal system shows a dual nature. On the one hand, there is what scholars have called "prerogative law," used in politically sensitive cases (important for power or patronal policy); and on the other hand, there exists "the 'due process of law' approach applied to judging ordinary criminality and regulating economic and social affairs."[220] That the leaders use the law as an instrument **does not, however, mean that every law is instrumental and every legal procedure is hand-guided**. On the contrary, there is a large body of politically irrelevant cases of everyday people that the leaders leave more or less alone (in patronal autocracy, more, in communist dictatorship, less). However, that the highest source of law is the leading political elite means that there is a tremendous **amplitude of arbitrariness**, meaning that **the leaders have the ability and option to disregard any law, or to create an instrumental law for any purpose** [→ 2.4.6].

Communist dictatorships and patronal autocracies differ in how this state of affairs is reached in the legal system. For **in communist dictatorships**, which are generally more formal systems than patronal regimes, we can see that:

1. **substantive legitimacy is openly declared in the constitution**. As John N. Hazard notes in his study of Marxist-Leninist constitutions, they all negate the so-called neutrality rule and use "partisan class language," following the 1918 Russian constitution. Hazard found that all constitutions of communist dictatorships openly declared the programmatic elements and teleological goals of communism, and also contained passages like "Courts punish enemies of the working people, defend and secure the State, economic and social structure of people's democracy," whereas the working class is "led by its vanguard and supported by the unity of the whole people" (from the 1949 Constitution of Hungary). While wording sometimes differed, "vanguard," "leading force" or "guide" was always mentioned and it always referred to the communist party. This way, it was given ultimate authority to govern society.[221] Thus, we can say what is ideal typical is (1) the open declaration of the communist party as the leader and (2) setting substantive goals for legal institutions. These create a formal basis, not only for instituting dictatorship but also to instrumentalize the legal system, and therefore instrumentalization is within the formal authorization of the party state;

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220 Sakwa, *Soviet Politics in Perspective*, 127.

221 Hazard, "The Common Core of Marxian Socialist Constitutions," 298–306.

2. **power-policy objectives are openly declared**. To take just a few examples, central planning and the education system openly declare their communist and anti-pluralist bias, or at least that they are not autonomous entities but vehicles of the implementation of the official ideology on a social level. Marxist-Leninist constitutions, too, contain a part "on 'Economic Structure' or 'Economy Policy,' which in every case established the cardinal rule […] that productive property shall be state owned or at least 'socialized.'"[222] Naturally, the party can step over declared objectives arbitrarily, but in most cases even arbitrary changes are forced out openly and within the formal institutional setting of the party state (like in campaigns [→ 4.3.3.1, 5.5.6.2]);

3. **legal arbitrariness is reached via sub-statutory acts**, which overrule existing legal norms on a case-by-case basis. Typically, communist legislations pass only so-called framework laws with vague wording and power policies are specified in sub-statutory acts (or party decrees). This allows a large room for maneuver for the nomenklatura, which uses sub-statutory acts for the day-to-day operation of the regime.[223] Therefore, it is not legislative statutes which are primarily manipulated but their vagueness is exploited for political goals. Also, when necessary, the nomenklatura more often disregards laws than rewrites them to get them adjusted.

In contrast, a patronal autocracy features a fundamentally more informal system of rulership. Therefore, the true nature of the system is not declared in official documents and the law becomes the instrument of patronal policies in a more subtle way. As Armen Mazmanyan explains, post-Soviet leaders—in line with the general neutralization attitude of patronal autocracies—"avoid openly oppressing their opponents: it is more efficient to imitate and covertly undermine democratic practices than to withdraw from them. The typical 'technologies' of abuse include banning opposition's demonstrations and rallies for the reason that they are not authorized or did not comply with the procedures prescribed by law, closing down oppositional TV channels and other media referring to alleged violations of law by them or by their owners, excluding candidates from elections because of non-compliance with the routines of the electoral process, prosecuting business entities which are sympathetic with oppositional parties on the grounds of tax law, etc. All these actions are done with reference to the letter of law. Such references create an illusion of legality of these actions in the eyes of the people," Mazmanyan writes, and he adds that under such circumstances "any written law, including written constitutions, are subject to manipulation by self-electing political elites for the purposes of reproduction of power."[224] (Also, we add that manipulation in general serves the purpose of wealth accumulation as well, as we are talking not about power but patronal policies.)

To point out the differences between the patronal and communist polar types, let us go through the three points above. Thus, in patronal autocracies:

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[222] Hazard, "The Common Core of Marxian Socialist Constitutions," 300.

[223] Huskey, "A Framework for the Analysis of Soviet Law."

[224] Mazmanyan, "Failing Constitutionalism," 321–22.

1. **the constitution declares legal-rational legitimacy, not the actual substantive-rational**. According to the constitution, the country is a democracy, it upholds the rule of law, the branches of power are separated and the competences of the executive are constitutionally limited. Therefore, the ultimate authority of the chief patron and instrumentalization of the law is unconstitutional and the adopted political family acts beyond its formal, legal authorization;[225]

2. **patronal policy objectives are not declared openly**, but they are disguised by appropriate ideological panels [→ 6.4.1.4]. Generally, as we explained above, in populism there is no logical connection between the "diagnosis" and the "therapy" and this allows the leaders to choose practically any policy, rendered unquestionable by the referring to the national interest. When an instrumental law is created, it is formally claimed to have public policy goals and respect constitutionalism, whereas they indeed serve the arbitrary goals of the adopted political family;

3. **legal arbitrariness is reached via custom-tailored lexes**. The legislation is used to create laws tailored to individuals, groups, political friends and foes. This is performed with the precision of a surgeon based on the case-by-case authorizations given by the head of the political family: offering reward or punishment, privilege or discrimination. Patronal autocracies feature targeted laws, and the corpus of statutes is constantly adjusted to the continuously changing whims of the political family. The legislation is, thereby, of paramount importance, for mass *ad hoc* procedures are required to formulate and create the appropriate lexes (see Box 4.5). Therefore it is on the level of statutes, not of sub-statutory acts, where arbitrariness and the targeted will of patronal power is instituted.

Box 4.5. Legislation with patronal policy objectives.

"Law pressed into an instrumentalized role is necessarily prone to casuistry, too much detail in regulation. Everything, down to the smallest detail, must be formulated normatively to make certain that a given political intent prevails. In instances where it no longer does—such as when a person in the office whose powers the regulation addresses change—the law must also be changed. Two consequences of this form of regulation are: a constant barrage of rapid changes are required, the more detailed the regulation, the more that will be the case; and that legislators strip implementers of the freedom to interpret these laws, thereby preventing interpretation of a concrete regulation in terms of the whole legal system and its principles. [. . .] The forced collation of various regulations that are different by nature and do not belong together, in the same law, inserts messy 'omnibus bills' into the legal system. These undermine reliability, and in the final run, legal security. [. . .] The last-minute proposals for amendments submitted directly before the vote also disturb any coherence of formulation that the draft may have carried, and even make interpretation of the text of the law impossible by enacting conflicting precepts. The last-minute amendments are also indicative of a complete political dependence that invariably advances political will to the detriment of professional rationality. Ultimately the legal system simply comprises a collection of formulations of current political will in the shape of laws."

– Zoltán Fleck, "Law under the Mafia State," in *Twenty-Five Sides of a Post-Communist Mafia State*, ed. Bálint Magyar and Júlia Vásárhelyi (Budapest–New York: CEU Press, 2017), 75–76.

Indeed, custom-tailored law is a special type of discretional law, which can be defined as the opposite of normative law:

- **Normative law** is a form of law which targets social groups which meet certain criteria irrespective of who the exact persons belonging to the group are. Typically, normative law is used to reach public policy objectives.

[225] Vörös, "A 'Constitutional' Coup in Hungary between 2010–2014."

- **Discretional law** is a form of law which targets certain people or institutions which either belong to the leading political elite (e.g., the adopted political family) or are against it, as a result of the decision of its head (e.g., the chief patron). Typically, discretional law is used to achieve patronal policy objectives.

Discretional law has two variants: **direct and indirect**. A direct discretional law is one that identifies its target by name, circumscribing it by the sole and unique feature which is its (legal) identity. However, while such laws may also exist in various regimes (like in the case of targeted bailouts), patronal autocracies try to conceal their true objectives, maintaining a façade of democratic and lawful operation in front of *de facto* autocratic politics. Hence, they usually use indirect discretional laws which are custom-tailored lexes:

- **Custom-tailored lex** is the indirect type of discretional law. Instead of identifying its target by name, a unique quality, it circumscribes its target by listing many different qualities, each shared by several different actors but in the given combination unique to the target (technicization).

We take the notion of "technicization" from a study of István Jávor and Dávid Jancsics, who analyze organizational corruption and identify technicization in that context, in forms of document manipulation, bureaucratic errors and the use of technological conditions in formally open and competitive tenders in a way that they are met only by one predetermined contractor.[226] In custom-tailored lexes, this practice is elevated on the level of central politics, whereby the adopted political family can target certain actors or institutions by circumscribing them with extreme precision. Indeed, there are two manners of custom-tailored legislation: (1) when the entire law fits uniquely to the target, meaning no one else falls under its scope, or (2) only a certain clause of the law fits uniquely to the target, whereas other clauses may fit to others. For example, in the case of discretional taxes, which will be explored in the next chapter [→ 5.4.3], there may be several actors who are compelled to pay the levy, but the highest rate of the tax is reached only by the target.

Custom-tailored lexes can be classified by two aspects: (1) **type of target**, meaning which sphere of social action the targeted actor (institution) is situated in; and (2) **patronal policy objective**, which may regard the financial, institutional or personal situation of the target in various specific ways (Table 4.9). Furthermore, as the target can be either a friend or a foe of the adopted political family, we need to differentiate between **rewarding and punishing**, to which we provide 1–1 general examples in the table below.[227]

Finally, we need to talk about so-called **enabling acts**, which remove decision-making from the rule of law and put it in the hands of the leading political elite, who can decide in the questions predefined by the act at their discretion.[228] **In liberal democracies**, such

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[226] Jávor and Jancsics, "The Role of Power in Organizational Corruption."

[227] For specific examples for each, see Magyar, *Post-Communist Mafia State*, 117–22.

[228] The expression originates from the Enabling Act *(Ermächtigungsgesetz)* of 1933, adopted in Nazi Germany and giving Hitler authority to enact laws without the German parliament. See Evans, *The Coming of the Third Reich*, 350–74.

Table 4.9. Types of custom-tailored lexes, with general examples for rewarding and punishing policies.

Type of target	Patronal policy objective	General example for… rewarding policy	punishing policy
Political actor	Disposition over the fulfillment of public offices	lifting conflicts of interest requirements to ensure that the front men of the adopted political family can be appointed to public positions	the arbitrary removal of persons from public offices enabled by legislation
Political actor (institution)	Disposition over the remuneration of political actors	growing remunerations or support for political front men of the adopted political family, or the civil and political organization, municipal governments dominated by them	decrease in the remunerations or support of political opponents of the regime in public positions and critical civil or political organizations, municipal governments
Political actor (institution)	Disposition over the competences of political actors	extension of the competencies of the institutions under political front men, after they are appointed	narrowing competencies of institutions, or municipal and professional bodies monitoring government
Economic actor	Disposition over profitability of economic actors	ensuring positions of advantage to loyal business ventures	removal of businesses not integrated into the adopted political family from the market, or ensuring their takeover
Political / economic / communal actor	Achieving political benefit	making actors non-convictable (even retroactively) who the courts would convict but the adopted political family does not want them to	making actors convictable (even retroactively) who the courts did not convict but the people want them to

laws do not exist ideal typically. The only similar situation to enabling takes place **in states of emergency**, which is an exceptional case when the leading political elite gets a wide mandate to deal with an extreme and irregular situation (epidemic, natural disaster, foreign invasion etc.), potentially acting non-congruently with normal law. Potentially, this can even mean direct involvement of the military on part of the government, in which case we speak about "martial law." But a state of emergency can be declared only under very special circumstances and it is heavily monitored by independent branches of government, making it practically impossible for the executive to declare one on its own.[229] **In communist dictatorships, the constitution itself is an enabling act** for it declares the state party the leader of the society, granting it a mandate to act as it pleases in accordance with the ideological framework of Marxism-Leninism. Lastly, **in patronal autocracies** the removal of formal constraints is typically unnecessary to de facto unconstrained power, which is achieved while maintaining a democratic façade. However, when a state of emergency provides enough justification in the people's eye for disabling democratic checks, the chief patron may use this situation to harmonize his de facto and de jure authority, like Orbán did in Hungary during the 2020 coronavirus pandemic.[230] More regularly, however, the mafia

[229] Dyzenhaus, "States of Emergency."

[230] Scheppele, "Orban's Emergency".

state's government is usually **legally enabled to declare cases**, typically in the field of the economy, **"of strategic importance" or necessary for "the common good" whenever it wants**, thereby extricating them from laws and regulations which otherwise would inhibit their operation.[231] Indeed, this is the legal manifestation of substantive rationality, very much in line with its ideological manifestation in populism and the reliance on popular and national sovereignty. The state uses the labels "national importance" and "common good," the content of which is defined only by them by virtue of the patronal appropriation of the interpretation of the common good. Although it is not declared openly in the constitution, with the help of its ideological framework and the instrumentalized legal system, the adopted political family keeps the country in a **perpetual state of exception**.[232]

4.3.4.3. Legalization of corruption? Classifying criminal organization actions of the criminal state

The adopted political family uses custom-tailored lexes to achieve patronal policy objectives, often to accumulate wealth by creating a favorable environment for the adopted political family's oligarchs and economic front men. This has been dubbed as the "legalization of corruption" by journalists and scholars.[233] However, **that law is made an instrument of the criminal state does not make its operation legal**. Because these laws are often parts of linked actions of corruption, where accepting the law or applying it to letter is indeed not unlawful *per se*, but this can be part of a larger chain, involving various illegal elements, too, which make the complete functioning of the system illegal even according to their own legal norms [→ 2.4.4]. Furthermore, such laws are often passed by disregarding formal legislative order or even higher legal norms, which makes them illegal even though patronalized and patrimonialized enforcement bodies do not investigate such cases.

To provide a broader analytical framework, a criminal state's actions may be classified by the following dimensions:[234]

1. The nature of damage caused by criminal organization actions of the state:

- **a. damage to public property and revenue**: (i) diverting potential state revenue to private parties; (ii) forgoing potential tax revenue; (iii) diverting potential state dues to private parties; (iv) diverting state concessions to private parties; (v) expropriating leasing rights; (vi) diverting municipal or government real estate properties to individuals within the political family's sphere of interest at below-market values; (vii) illegitimately diverting tender funds to overpriced bidders within the political family's sphere of interest;

[231] For examples, see Elõd, "22 ügy, amiben a kormány előhúzta a mindent vivő kártyát" [22 cases when the government used the trump card]."

[232] Lakner, "Links in the Chain," 149–52. Also, see Agamben, *State of Exception*.

[233] Novak, "Hungary Has Legalized Corruption, Says TI Legal Director Miklós Ligeti."

[234] For concrete examples and case studies, see Magyar, "The Post-Communist Mafia State as a Form of Criminal State."

b. **damage to private property and income**: (i) expropriating property; (ii) expropriating private enterprises; (iii) introducing mandatory state concessions for private enterprise activities; (iv) expropriating state concessions and leasing rights;

c. **causing both public and private damage**.

2. Connectedness of the actions:

a. **single-staged**: a single-staged corrupt act can be understood as a simple corrupt transaction occurring between two parties that only involves a single deal. These acts typically fall within the scope of classical corruption with each representing a small amount of value, regardless of how many they are. The criminal state attempts to put these *ad hoc* individual actions under its control;

b. **multi-staged**: actions with multi-staged connectedness involve many institutions in the legislative and executive branches, and a complex cooperation between legislative acts and executive bodies may also be possible. This is much more typical of the everyday functioning of the criminal state, since by necessity, only these complex mechanisms are capable of realizing large-scale projects that rewrite market conditions, often fundamentally, implemented through the intertwining of government and business.

3. The institutional scope of managing corrupt transactions:

a. **within one institution**: (i) *at the clerical level*: almost without exception, this coincides with single-staged, non-interconnected corrupt actions. Obviously, implementing corrupt plans that are complicated or applicable nationwide simply cannot be conducted at low levels of administration: the vertical structure of the relevant government institution must necessarily be involved; (ii) *complete vertical structure within the institution*: it is inconceivable that corruption at certain central agencies, such as the suspected corrupt acts of the tax authority, including large tax remissions, would occur without the knowledge and approval of the entire vertical structure of the institution. In these specific cases, "equity," the original purpose of which would be to assist taxpayers in a tight situation with small tax debts, here appears as a means of abuse to increase the profit of the loyal oligarchs.

b. **inter-institutional**: (i) *horizontally*: when several institutions cooperate with one another, which is considered rare in any event, as in complex transactions require coordination from above; (ii) *vertically*: due to the functioning of a single-pyramid patronal network, the vertical structure necessarily comes to the fore and involves institutions in hierarchical relations. This is what provides a particularly wide amplitude of arbitrariness to the chief patron [→ 5.4.1.1].

4. Extent of the authority of the institutions involved:

a. **local**: areas where the dominions of certain "tax renters" are paid out as actual remuneration are classic examples of relative autonomy from the center, their former mayors being closely linked to the patron's court;

b. **nationwide**: use of the institutions of public authority by the chief patron and the patron's court, including legislation;

c. **local and nationwide**: typically included here are the cases of market raiding [→ 5.5.3.3] that are centrally directed but carried out primarily at the local level, and without either central or local coordination they would not have occurred.

5. **Type of collaborating institutions**:

a. **legislative**: the use of custom-tailored laws, as described above, that mostly serve as a framework for any subsequent manipulation as well as laws generally supporting the functioning of the mechanisms of state corruption, such as: (i) raising price limits on public procurements (thereby facilitating the feasibility of a higher degree of corruption in procurements); (ii) facilitating the undue classification of public interest data (under the pretext of national strategy and national security considerations); (iii) eliminating conflicts of interest as an obstacle in applying for tenders and subsidies; (iv) upholding the confidentiality of official asset declarations by the relatives of politicians; or (v) abusive disqualifying applicants from public procurement tenders, on occasion or for longer period.

b. **executive**: the list of possible collaborating institutions ranges from central bodies (e.g., the tax authority) to municipalities and chamber associations;

c. **judicial**: politically selective law enforcement, as we explain below [→ 4.3.5];

d. **any combinations thereof**.

6. **Statutory definition of crimes committed by the criminal state**: extortion, fraud and financial fraud, embezzlement, misappropriation, money laundering, insider trading, bribery, bribery of officials (both the active and passive forms of these last two), abuse of authority, abuse of a public service position, buying influence, racketeering, etc.

As the crimes listed above are recognized as criminal acts by patronal autocracies' own effective law, it is clear that a criminal state's actions cannot be claimed legal even though it uses laws to achieve its patronal policy goals. To provide another analytical viewpoint, following the Palermo Protocols against transnational organized crime—adopted in 2000 by the United Nations—the Council of Europe's Group of specialists on organized crime (PC-S-CO) defined **the criteria that, when present, provide evidence of a criminal organization**.[235] Their definition includes both mandatory and optional criteria. The mandatory criteria are: (1) collaboration of three or more people; (2) for a prolonged or indefinite period of time; (3) suspected or convicted of committing serious criminal offenses; (4) with the objective of pursuing profit and/or power. The optional criteria are: (1) having a specific task or role for each participant; (2) using some form of internal discipline and control; (3) using violence or other coercive means suitable for intimidation; (4) exerting influence on politics, the media, public administration, law enforcement, the administration of justice or the economy by corruption or any other means; (5) using commercial or business-like

[235] "Effectiveness of Provisions on Membership in Criminal Organizations."

structures; (6) engaged in money laundering; (7) operating on an international level. **These criteria used by the expert group to define the mafia**—or the organized underworld—**may also be used to describe a mafia state**—or the organized upperworld.

4.3.4.4. Decision-maker and transmission-belt legislatures

Finally, we may turn to **legislatures**. The function of such institutions in each polar type regime is to pass statutes, which is a type of law in the hierarchy of norms (above sub-statutory acts but below the constitution). Moreover, it is equally necessary for the leading political elite in each polar type regime to have a **majority** in this body, because formal statutes are enacted by the vote of the **absolute majority of the members of parliament (MPs)** who receive their mandates in accordance with election results.[236] In liberal democracies, this situation is given for the winner of the elections; in communist dictatorships, there are, as we explained, uncontested elections where only one party or organization can run, and therefore practically all mandates are given to the party state's cadres. In patronal autocracies, the transmission-belt party of the adopted political family ideal typically has a **supermajority** (two-thirds, four-fifths etc.). Generally speaking, a supermajority is required for changing "the rules of the game," that is, the constitution or so-called organic laws which define how the formal institutional setting ought to work, as opposed to absolute majority (50%+1 MP) which is required for "playing the game" by the rules. In the following, where we take into account presidential systems as well, we will use the more general term **"(effective) monopoly of political power"** for the situation **when a single actor or elite group has enough power alone to change the constitution**, that is, the rules of the game. Furthermore, the monopoly of political power also includes **the power to appoint people in key positions**, like the chief prosecutor, **alone**, and this usually requires the same supermajority and/or executive positions that are required to change the constitution.

As we mentioned above, when populists get into power, they are legitimacy-questioning actors who want and attempt to change the rules of the game, but they can succeed only if they have supermajority [→ 4.4.1.3]. In other words, this is the prerequisite for instituting and stabilizing a patronal autocracy. Although they typically keep supermajority afterwards which allows them to change anything in the legal system as they please, to the everyday working of a mafia state—including the instrumental use of law and passing custom-tailored lexes whenever they are needed—an absolute majority is sufficient.

The crucial difference between the three regime's legislatures is whether their members are autonomous, that is, can use the power vested in them autonomously at their will—or they are not autonomous, but simply puppets of the actual leading political elite. **In liberal democracies, governing MPs are politicians.** This means precisely that they are autonomous and they can use their formal political power at their will. Naturally, there exists party discipline; an MP can be loyal to his party, and the party can even obligate him to vote for certain laws it wants to pass. But a politician is allowed to debate, to hold a minority opinion, and even to submit a legislative bill on his own right. In other words,

[236] This refers to the first chamber of parliament, which may be accompanied—in bicameral systems—by a second chamber that features elected or non-elected members with certain (veto) rights. Lijphart, *Patterns of Democracy*, 187–203.

as a minimal form of intra-party democracy[237] **there exists public deliberation within the governing party**: there is (1) discussing, as far as the members (including MPs) can voice their opinions and try to convince others; (2) associating, as far as factions and platforms can be formed vis-à-vis the party leadership; (3) electing, as far as the party leaders (and sometimes even the party's candidates) are chosen by the members after intra-party campaigns; (4) lawmaking, as far as the party creates its own internal rules and regulations which the members (including the leadership) are expected to follow; and (5) enforcing, as far as a violation of the party's internal rules is followed by disciplinary action, exclusion from the party, or even state sanctions (if there are state-imposed regulations prescribing intra-party democracy).[238] Therefore, **an MP is not a simple executor** of the will of his party's leaders **but can shape**, or at least have an effect on, **policy decisions**.

There is a mirroring effect of public deliberation, meaning in a liberal democracy it exists on the national and the party level in parallel [→ 3.3.7]. Similarly, when public deliberation is eliminated on the national level it is mirrored by the lack of public deliberation within the party, which indeed is one of the prerequisites of transforming a polity into an autocracy or dictatorship. Therefore, **there is no public deliberation within a state party or transmission-belt party** and, in the legislature, **their MPs are executors** with no autonomy and virtually no say in shaping policy. In communist dictatorships, MPs are middle/low level party cadres [→ 3.3.4], whereas in a patronal autocracy they are political front men [→ 3.3.3].

As a result, **in communist dictatorships the legislature becomes a subordinate body of the party leadership.** Typically, the body meets only a few times a year to pass framework laws, although it fulfills some bureaucratic tasks like law formulation as well. As Sakwa explains, in the Soviet Union the legislative "played little role in initiating policy but it did perform several important functions. The legislative function was evident in its participation in drafting complex legislation, and indeed the drafting of new laws moved to some extent [to the legislative]. This allowed more scope for the incorporation of a wide range of specialist opinion."[239] **Therefore, the legislative institutions of public authority cease to be the sites where real decisions are taken**, those having been removed from the institutions into the realm of the leading political elite. **This is typical in patronal autocracies**, too, where legislatures are only required to "keep the books" on decisions taken elsewhere. The difference is that, while this "elsewhere" in communist dictatorships refers to the politburo, i.e., a formalized institution, in patronal autocracies it refers to the patron's court, which is outside the formal institutional realm [→ 3.3.2]. Like the transmission-belt party, the institutions of public authority are no longer decision-making bodies either but mere institutions of implementation carrying out the will of the adopted political family. In a patronal autocracy, legislation is no longer a field of legal and normative rules that are applicable to all and can be called to account, but the adopted political family's "tailor shop for fitted garments," where laws are tailored to fit the needs of the family. The parliament only serves to give the stamp of approval for the autocratic decisions, embodied in instrumental

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[237] For an analysis and critique of the existing models of intra-party democracy, see Cross and Katz, *The Challenges of Intra-Party Democracy*.

[238] Cross and Katz, 3–4. Also, cf. Teorell, "A Deliberative Defence of Intra-Party Democracy."

[239] Sakwa, *Soviet Politics in Perspective*, 110.

law. In both dictatorships and autocracies, the legislature serves as a transmission belt of the actual leading political elite, be it the politburo or the patron's court [→ 3.3.2, 3.3.8].

To sum up, we may differentiate the two kinds of legislatures—one dominantly creating limited law in liberal democracy and another dominantly creating instrumental law in the two other polar types—as decision-maker and transmission-belt legislatures:

- **Decision-maker legislature** is a *de jure* legislative body, the members of which are politicians who have a say in the policy goals of the laws they pass. Decision-maker legislatures are ideal typical to democracies, both liberal and patronal.

- **Transmission-belt legislature** is a *de jure* legislative body, the members of which are mainly cadres or political front men who have no say in the policy goals of the laws they pass. Transmission-belt legislatures are ideal typical to dictatorships, both communist and market-exploiting, and autocracies, both conservative and patronal.

4.3.5. Enforcing: Courts, Prosecution, and the Institutions of State Coercion

4.3.5.1. Equality before and after the law: from neutral to politically selective law enforcement

The final phase of public deliberation is **enforcing**. Indeed, it is this phase when the provision of constitutionalism, which says that every adult must have a say in how his life is governed, is ensured. In the electing phase, legislators were chosen by the popular will and they are expected to represent the people accordingly, making laws that will regulate the polity's life as its citizens wish. But that these laws will have an effect, that is, that the polity where the people live will indeed work according to the wishes of the demos, is ensured only if deviations from the law are not allowed. Therefore, the public deliberation process makes an impact on the citizens' life when the state enforces the wished working of the society and it punishes the deviators from the law, relying on the monopoly on the legitimate use of violence (hence, laws are backed by state coercion).

In our understanding, there are three kinds of institutions that belong to this phase: **courts, prosecution, and police**. True, it is only the police that actually have a mandate to use violence if a law is infringed, but the two other organs have a pivotal role in defining whether that is the case. In a liberal democracy, prosecution initiates criminal investigations whereas the courts adjudicate legal disputes and decide who violated a law and who did not, that is, in favor of whom the police should start acting. *De jure*, this is the case in the two other regimes as well, and even *de facto* this is what happens in the "due process of law," that is, to the myriads of politically irrelevant cases of ordinary criminality. However, as we have seen above, the regimes' attitude to law in politically relevant cases differs when they understand the law as (a) an end in itself (legal-rational legitimacy) or (b) as an instrument of power and the "common good," which the leaders appropriate the interpretation of (substantive-rational legitimacy).

When laws are formulated, we speak about **equality before the law** or the lack thereof. This means that the legal status of every person living under the state's jurisdiction is the same, and that **everyone is legally entitled, without any discrimination, to equal protection of the law against violations of his basic rights and liberties** (human rights). **This principle is at the core of liberal democracies** as well as constitutionalism, which is founded on the respect of human dignity.[240] Indeed, this principle is **formally upheld in patronal autocracies** as well, where the servants have legally granted rights and liberties just like a citizen [→ 3.5.1]. Equality before the law is **openly violated only in communist dictatorships** where those who are declared enemies of the working class (capitalists, "kulaks" etc.) have no rights in the eye of the state and they are accordingly deprived of their freedom, their property and often their life.[241]

When laws are enforced, however, we can rather talk about **equality after the law**. With some playing with words, we can differentiate the period before a law is applied—when it has been formulated and adopted but not yet used in a legal case—and the period after it is applied. "Equality before the law" refers to the former period. It refers to whether people are legally entitled to the same protection of rights, that is, whether the word of the law includes discrimination or not. On the other hand, "equality after the law" refers to the latter period, and asks how those who are treated in some way by the law *de jure*, when it comes to a violation of their human rights, are actually treated *de facto*: **whether their legally granted rights are equally enforced or not**. If they are equally enforced, we speak about equality after the law; if enforcement is unequal, and some people's rights are enforced whereas others' rights remain dead letters of the law's text, we speak about inequality after the law.

In liberal democracies, there is **equality after the law**. Simply put, constitutionalism entails not the mere proclamation but the actual universal protection of rights for every citizen as a duty of a constitutional state. In other words, from constitutionalism the congruence of *de jure* and *de facto* follows, that is, that the state must enforce what is written down in the law. As there is also equality before the law, in liberal democracies equality after the law means, first, that everyone falls under the same laws and should receive the same kind of legal treatment; **citizens are legally equal** as far as fundamental rights are concerned.[242] Also, deviances from this principle can be questioned at the court, that is, there exists an effective opportunity of legal remedy (as the state strives to achieve legal equality). Second, because every citizen is equal and there is no discrimination in terms of human rights, this also means that nobody is exempt from the law, regardless of their social or political status. Therefore, not even the leaders or the ones they choose are exempt: **law and its enforcement are politically neutral**. Hence, we call this normative law enforcement:

- **Normative law enforcement** is the way of enforcing laws in a regime characterized by equality after the law. Therefore, such law enforcement treats everyone in the same way, whereby every person receives the same legal treatment and, eventually, equal political action (legitimate use of violence) for equal rights violation.

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240 See Article 7 of "Universal Declaration of Human Rights."

241 Sakwa, *Soviet Politics in Perspective*, 126–28; Krygier, "Marxism and the Rule of Law."

242 Baer, "Equality."

Inequality after the law prevails in autocracies and dictatorships. **In communist dictatorship**, politically active people in general and members of the nomenklatura in particular fall under a different jurisdiction than politically irrelevant people. As Podgórecki writes on the basis of historical experience of communist dictatorships, "if a Communist Party member […] committed a crime, he or she could not be brought to court, even if his or her guilt was evident, without clearance from the relevant party organs, which might expel the suspect from their ranks to enable the police to bring charges. But, according to secret instructions issued to state prosecutors and the police, no criminal charges could be brought against a person who remained a party member."[243] Other scholars have called attention to so-called **"telephone law,"** when a legal case is decided by the telephone, that is, by the direct intervention of interested nomenklaturists.[244] This not only means that members of the nomenklatura receive special treatment, but also that the fate of any person of political interest, including the regime's (illegal) opposition, is decided arbitrarily by the party leadership, who are free to disregard the written word of the law.

In patronal autocracy, inequality after the law is different from dictatorships in the sense that not the members of the party but of **the adopted political family enjoy impunity** [→ 3.6.2.4]. But in general, we can see that the leading political elite instrumentalizes law enforcement, just like law itself. Thus, law enforcement is not neutral but politically selective in a patronal autocracy as well as in a communist dictatorship:

- **Politically selective law enforcement** is the way of enforcing laws in a regime characterized by inequality after the law. Therefore, such law enforcement treats people differently by their political status, and people (typically servants or subjects) receive different legal treatment and, eventually, different political action (legitimate use of violence) for equal rights violation.

The main difference between the selective law enforcement in dictatorships and autocracies is that, in a communist dictatorship, selectivity can be both individual and group, whereas in a patronal autocracy it is always individual. As mentioned above, it was all party members who (informally but normatively) fell under immunity, whereas there can easily be social groups which law enforcement treat negatively because of their group identity. In a patronal autocracy, it depends on the decision of the chief patron who should be attacked and/or immunized by politically selective law enforcement. **The chief patron can also decide between non-enforcement of law and custom-tailoring the law which then can be enforced**; and he can be expected to choose the one which impairs the regime's democratic façade less and keeps the real (patronal policy) goals of the adopted political family in the dark more.

Although we focus mainly on the three polar type regimes, it is worth making a detour to the intermediate types at this point. The status of law and law enforcement in the intermediate autocracies and dictatorships is very similar to their polar pair (hence we have often dropped the adjectives "patronal" and "communist" above, respectively). In

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243 Podgórecki, "Totalitarian Law: Basic Concepts and Issues," 13.

244 Huskey, "A Framework for the Analysis of Soviet Law," 63.

conservative autocracy, where it is precisely the sphere of political action that is monopolized, whereas actors from other spheres are not subjugated into a patronal network, we can see *de jure* upheld rights—equality before the law—which *de facto* can be disregarded at the discretion of the ruling political elite—inequality after the law. In a market-exploiting dictatorship, law is just as instrumental as in a communist dictatorship,[245] although it is not used in a totalitarian way to institute central planning of the economy [→ 5.6.2]. Moreover, selective law-enforcement can even be used as a normative, economic-policy device, like in China where the prosecution openly declared that it would be more indulgent toward CEOs to bolster private sector.[246] However, there is considerable difference between a liberal democracy and a **patronal democracy**. In a patronal democracy, which is characterized by the equilibrium state of competing patronal networks, law enforcement is not subjugated as no actor has the monopoly of political power. But enforcing bodies strive to keep up the image of autonomous functioning, or that they are not a tool (or a fighter) in the networks' fight. Therefore, what we can see is a situation gravitating toward a kind of **"politically proportionate law enforcement"** where a roughly equal number of people are prosecuted and convicted from every competing side, and prosecutors and judges try to adjust to an informal "quota." We are told that the situation in Romania (and potentially other patronal democracies) shows signs of such proportionality.[247]

To sum up, using the paired concepts of before and after the law we can at last define the general status of law in the three polar type regimes (Table 4.10). **In a liberal democracy**, we can speak about the rule of law (or "lawfulness"):

- **Rule of law** is a status of legality of a polity that features (1) equality before the law and (2) equality after the law. Prevailing typically in liberal democracies, the rule of law means that no citizen is exempt from the law, regardless his actions or motives, political or social status.

In a patronal autocracy, while every citizen is legally granted the same rights, criminal prosecution is optional when it comes to someone of interest to the adopted political family. We can call such situation the law of rule:

- **Law of rule** is a status of legality of a polity that features (1) equality before the law and (2) inequality after the law. Prevailing typically in patronal autocracies, the law of rule means that *de jure* no servant is exempt from the law but *de facto* some can be, if they are of interest to the adopted political family.

245 Cf. Orts, "The Rule of Law in China."

246 Sun, "China Grants Immunity to Executives to Bolster Private Sector." Open declaration of the policy goal also indicates substantive-rational legitimacy, although it was used to promote a normative policy and not a discretional (patronal) one.

247 Cf. Magyari, "The Romanian Patronal System of Public Corruption."

Table 4.10. The status of law in the three polar type regimes.

	Before the law	After the law
Rule of law (as in liberal democracy)	Equality	Equality
Law of rule (as in patronal autocracy)	Equality	Inequality
Lawlessness (as in communist dictatorship)	Inequality	Inequality

The expression that is typically used as an opposite for the rule of law is “rule by law,” which means that the law is not regarded as autonomous but as an instrument by the leading political elite.[248] But as we have seen, this is equally true to autocracies and dictatorships. Indeed, what we call the “law of rule” is a subtype of rule by law, one that prevails in autocracies in the post-communist region. As far as dictatorships, and especially the communist dictatorship, are concerned, there we can find the dictatorial subtype of rule by law which is lawlessness:

- **Lawlessness** is a status of legality of a polity that features (1) inequality before the law and (2) inequality after the law. Prevailing typically in communist dictatorships, lawlessness means that any subject can be exempt from the law *de jure* as well as *de facto*, if they are declared enemies or they are of interest to the nomenklatura, respectively.

4.3.5.2. Courts and prosecution: from evidence through fabricated accusation to kompromat

Regarding the institutions of after-the-law enforcement, we can again find the general pattern of respect, repression and neutralization in liberal democracy, communist dictatorship and patronal autocracy, respectively. **In liberal democracies**, equality after the law follows from constitutionalism and also the idea of state neutrality: the state and its legal organs must not treat anyone differently, let alone on the basis of political opinion.[249] One of the main means to ensure this is the **independence of the judicial branch**, that is, (1) that legal disputes are to be decided by judges who (2) are not influenced by other political actors, the government and the broader leading political elite (the executive and the legislative branch). Looking at the whole legal process, criminal cases can be modelled—in very general terms—as the following consequential steps:

1. **a crime is committed** (the suspicion thereof arises);
2. **prosecution launches the legal process** and investigation **automatically**;

[248] Krygier, “Rule of Law,” 234.

[249] Kis, “State Neutrality.”

3. **judges compare existing law with evidence**, that is, the known facts of the case in question;

4. **the court makes a decision (about guilt or innocence) based on assessment of the evidence.**

Naturally, as the written law does not include discrimination on the basis of political opinion (equality before the law), a judge must not consider this factor either, and he must not be instructed by the ruling political elite to consider it. **In a communist dictatorship**, however, Marxism-Leninism entails a completely different kind of judiciary. As Lenin himself writes, after the communist revolution succeeds and "the fundamental task of the government becomes, not military suppression, but administration, the typical manifestation of suppression and compulsion will be not shooting on the spot, but trial by court. **[The] court is an organ of power** of the proletariat and of the poorest peasants, […] **an instrument for inculcating discipline**" (emphasis added).[250] Following the bureaucratic appropriation of the interpretation of the common good, this means that the party and the party state, "the vanguard of the working class," must be able to decide in court decisions and rectify judges who may decide in a way that would go against the interest of the working class—that is, that would go against the state party's will. This is the ideological framework that legitimizes inequality after the law, on the one hand, and **the lack of independence of the judicial branch**, on the other. Indeed, as opposed to the respect of independence (and the human dignity of those who are judged by the court) by liberal democracy, a communist dictatorship represses such independence in the name of substantive rationality.

One of the consequences of such understanding of the role of courts is the so-called **show trial**, which we have mentioned above with respect to rights-suspending campaigns. In contrast to the four-point process described above, in a show trial:

1. **a crime is not committed**;

2. **prosecution launches the legal process** and investigation **on the basis of political decision**;

3. **judges compare existing law with fabricated evidence**, that is, fictitious data and accusations made up by the state party to frame the number one scapegoat as guilty;

4. **the court makes a decision (about guilt) based on the predefined political verdict**.

Driven by campaign objectives, it is usually an important element of show trials that the accused himself pleads guilty, confessing he sinned against the state party and communist principles. This sharply contrasts with **patronal autocracies**: on the one hand, the accused in such trials typically does not plead guilty and uses the opportunity to express strong

[250] Quoted by Krygier, "Marxism and the Rule of Law," 637.

criticism of the regime instead;[251] and on the other hand, trials take place in a differently controlled judicial system that also serves different purposes.

The different character of show trials in patronal autocracy also follows from the fact that such fabricated evidence, while still exists, may be used only in politically more sensitive cases. In other cases, they usually use kompromat (see below), although certain trials in patronal autocracy can involve both fabricated and real evidence. It is often hard to tell the difference because, **while in communist show trials the charges are typically crimes against the system** (conspiring, spying etc.), **in a patronal autocracy the charges are common criminal offenses** (tax evasion, drug trafficking etc.), just like the ones underpinned by real evidence. Thus, trials with fabricated evidence are not particular to communist dictatorship, but they get a distinctly different character in patronal autocracy.[252]

In general, the chief patron takes the attitude of **neutralization of judicial bodies to guarantee the adopted political family's impunity** and to cover up for the illegal acts of the criminal state. As Ledeneva points out, it is often not necessary to directly control judges to achieve this, for the repressive nature the regime demonstrates in other parts of society creates a so-called "'chilling effect' whereby informal norms and signalling devices make it clear what needs to be done without direct intervention."[253] Yet the adopted political family can make sure its will is being served in the judiciary if it takes more concrete steps to neutralize it.

We may list **three ways of neutralization**, which can be combined and used in unison as well. **First**, the simplest—but also least subtle—way for the chief patron is **to break the autonomy of the judiciary**. By this method, he or a political front man he institutes as a supervisor of the judges will intervene in legal cases, relocate court cases arbitrarily, restrict the competences of the courts or informally envisage negative repercussions against "wrongfully unbiased" judges. As Zoltán Fleck writes, "nondemocratic legal systems typically operate with a **humiliated judiciary** that has been forced into a **subservient role**. In comparison to the state apparatus, selection mechanisms and the organizational structure of the law-enforcement authorities in principle provide shelter against direct political […] influence. Under authoritarian regimes, where these limits must be respected in formal terms at least, the lines of attack are the **heavy centralization of the organization system of judges and political pressure in regards to the leading positions**, as well as the symbolic retraction of legitimacy as concerns the whole of the judiciary. The forced retirement of judges, the retroactively calling into question of ruling by judges, and the provision of a centralized organizational scope of powers beyond the extreme for individuals openly selected on political grounds are tools that can be considered attempts at institutionalization of juridical power without power sharing and subject to political regulation" (emphasis added).[254]

Second, a patronal autocracy can decide to **replace politically sensitive judicial cases from ordinary courts and place them in the hands of newly instituted administrative courts**. This method of neutralization has been applied by several patronal autocracies,

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[251] See, for example, the sham trial of the Russian feminist protest punk rock group Pussy Riot in Gessen, *Words Will Break Cement*, 155–226.

[252] Cf. Browder, *Red Notice*.

[253] Ledeneva, *Can Russia Modernise?*, 162.

[254] Fleck, "Law under the Mafia State," 80.

including Armenia, Azerbaijan, Belarus, Kazakhstan, and Uzbekistan.[255] Administrative courts in a patronal autocracy are packed with patronal servants [→ 3.3.5] and/or instituted with a special legal framework that limits normative adjudication. Such courts exist parallel to the normal judicial system and remove complaints against the state from the system of guarantees that formally exist in normal courts. In these special courts, there is no genuine debate, the judges only examine compliance to specific laws concerning the state institution in question, whereas the complainant might have some chance of winning if he complains about formalities (missed deadlines etc.).

The **third** option of neutralization of the judicial branch is **subordinating prosecution to the adopted political family's informal interests**. If this way is chosen, there is almost no need to deal with the courts because criminal cases do not reach that level of the legal process, as the prosecution does not start criminal investigations against the adopted political family in the first place.[256] Moreover, in post-Soviet countries prosecution has been historically strong in the legal system, making it a particularly important weapon in the hands of chief patrons. As Kálmán Mizsei reminds, "[under] Stalin's Soviet power, prosecution evolved into a central institution of state repression. In the post-Soviet system, the fear factor was seriously reduced, but the privileged legal status of prosecution has been instrumental to Presidents seeking to cement their dominant power over other contenders in a world of densely intertwined political and private economic power."[257] In patronal autocracies, **hand-guided prosecution is not simply neutralized but can also be used to attack or blackmail the enemies of the adopted political family**. Thus, prosecution in patronal autocracies can easily become a principal means of politically selective law enforcement.

As far as **attack** is concerned, a perhaps less evident field prosecution is used is in **election campaigns**. Indeed, there is nothing new about the practice of the Prosecutor's Office putting a representative of the chief patron's political opponents on trial. It leaks information that vilifies the opponents to patronal media carefully in keeping with the campaign schedule, while sometimes qualifying the cases as state secret so the accused is not allowed to even defend themselves in public. In certain cases, public opinion is preconditioned with a pre-trial detention, house arrest or a photograph of the accused being led through court. The scoops are well timed, and the cases can stretch on for years without a sentence. Their public presentation follows the timetable of the most varied campaigns. Such **selective law enforcement adjusted to campaign objectives** can also target innocents, others who can be blackmailed when the case is brought against them with lesser affairs, or actually guilty parties. At any rate, a significant proportion of the cases never reach the trial phase, or the accused are acquitted. The targeted individual is nevertheless successfully discredited. In these actions the real aim is not to bring justice, to have the individuals jailed, but to expel

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[255] Schoeller-Schletter, "Structural Deficits in Legal Design and Excessive Executive Power in the Context of Transition in Uzbekistan." In the patronal autocracy of Hungary, Orbán long proposed to establish administrative courts, but the reform is off the table as of late 2019. Also, administrative courts exist in some form in all post-Soviet countries except Russia, Georgia, Tajikistan, Turkmenistan and Kyrgyzstan, and in the majority of other post-communist countries as well (with the exception of Romania and Slovakia). We are indebted to Armen Mazmanyan for his help in gathering this information.

[256] Kvurt, "Selective Prosecution in Russia"; Magyar, *Post-Communist Mafia State*, 50–51.

[257] Mizsei, "The New East European Patronal States and the Rule-of-Law," 543.

them from the political scene, and/or to discredit and smear the political organization they represent.

On the other hand, hand-guided prosecution can be used in **blackmail** and keeping the chief patron's clients in line. Such prosecution makes it possible for the chief patron to start the following variant of the above-modeled four-step legal procedure at his discretion:

1. **a crime is committed**;
2. **prosecution launches the legal process** and investigation **on the basis of political decision**;
3. **judges compare existing law with kompromat**, that is, real facts that the chief patron collects and uses for blackmail and punishing disloyal actors when necessary;
4. **the court makes a decision (typically about guilt) based on assessment of kompromat**.

Kompromat is not particular to patronal autocracies; it exists in communist dictatorships and even in patronal democracies. In general kompromat is a piece of information—a real fact—that a political actor can be blackmailed with, either because (a) it would reveal his criminality or (b) it is a part of his personal life he does not want to publicize (see Box 4.6). More precisely, Ledeneva distinguishes **four ideal types of kompromat** by the character of information: **political**, like evidence of abuse of office and power, political disloyalty etc.; **economic,** like evidence of embezzlement, offshore activity and capital flight etc.; **criminal**, like evidence of ties to organized crime, contract killing etc.; and **private**, like evidence of extravagant spending habits, sexual behavior etc.[258]

As such, kompromat needs to be distinguished from at least three things that might seem similar at first glance. First, using kompromat is not libel, because the latter relies on false information whereas the former is true (just also weaponized). Second, kompromat is different from pieces of information gathered by investigative journalists or private investigators in democracies because those are typically collected not for blackmail but either for bringing them to the light for the public (by journalists) or for private use (by hirers of private investigators). Third, and most importantly, **kompromat is different from show-trial "evidence"** of communist dictatorships. For show-trial "evidence" is fabricated, whereas kompromat is **collected** and withdrawn from the public to coerce political actors by the means of blackmail.

Box 4.6. Kompromat and kompromat war.

"Kompromat is a slightly frivolous-sounding abbreviation of the expression *komprometiruyushchii material* (compromising material); at the same time, it is difficult not to hear in the *mat*-ending the music of the thoroughly Russian *mat* (meaning, vulgarities). Ultimately, kompromat can also be understood as a political vulgarity. The meaning of the word [. . .] can perhaps be best expressed as follows: publicizing, with the intention of compromising someone, data, evidence, circumstances, or documents (or the threat of publicizing such data), using the traditional and reformed journalistic and political genres of reporting, exposing, defaming, and recrimination. The information must be capable of morally and politically discrediting, destroying, keeping in check, or charging with criminal activities a political and/or economic opponent [. . .]. Kompromat [. . .] is [usually] a response to the opponent's political or business arguments, or perhaps to his success. Either way, it cuts off all normal—political or business—possibilities of interaction. You cannot argue with kompromat, nor can you refute it. There is only one adequate response to kompromat, i.e. counter-kompromat. [. . .] Kompromat follows kompromat and thus a war of kompromats *(voina kompromatov)* continues as long as the opponents still have new kompromat in their arsenals, or as long as someone is still left alive on the political stage."

– Ákos Szilágyi, "Kompromat and Corruption in Russia," in *Political Corruption in Transition: A Sceptic's Handbook*, ed. Stephen Kotkin and András Sajó (Budapest–New York: CEU Press, 2002), 208–9.

[258] Ledeneva, *How Russia Really Works*, 60.

Going back to the role of kompromat in different regimes, **in communist dictatorships** kompromat is collected primarily by **the party's secret service** [→ 3.3.6] and it is also typically used by them, to recruit informers. High-level party cadres do not have to rely on kompromat because they can use fabricated evidence against political opponents (which the courts accept without question as they are subjugated to the state party). In his study on kompromat, Ákos Szilágyi recalls a saying that from the time of Stalin's reign of terror: *"Byl bi chelovek, statya naidetsa,"* that is, "Just have the man, and we'll find an article of the law [under which to punish him!]."[259] After the Soviet empire collapsed, however, the **transition** created a unique situation. In post-communist—and especially post-Soviet—countries, transition in general and privatization in particular has been done in a rather shaky legal environment and with many abuses on the part of those who became important economic and/or political actors [→ 5.5.2.2, 5.5.3.1]. Therefore, virtually everyone who became members of the political and/or economic elite committed or was involved in something illegal, that is, something that makes them potentially convictable in courts.[260] This **made fabricated evidence practically obsolete vis-à-vis kompromat**, which can be collected against anybody who one wants to target. Accordingly, **in patronal democracies** and also in newly born **oligarchic anarchies** competing patronal networks and oligarchs use kompromat in their fights, whereas oligarchs can also use it to blackmail politicians in bottom-up state capture [→ 5.3.2.3]. Accordingly, kompromat is a valuable asset and a **kompromat market** develops where entrepreneurs (or criminals) who specialize in collecting kompromat sell pieces of information to interested parties.[261] Thus, this (grey) market is **decentralized** and largely competitive with high profits to the sellers who are of paramount importance to the oligarchs' culminating kompromat wars.[262]

However, for a competitive kompromat market to exist there are two conditions: (1) **there must be media pluralism**, that is, the sphere of communication should neither be closed nor dominated (i.e., it should be closer to the open ideal type); and (2) **there must be a non-hand guided prosecution and judiciary**. As for (1), media pluralism is necessary because a piece of information can potentially damage a person's reputation only if it can be publicized, that is, if it can actually reach many people and the target cannot regulate the reach of the kompromat-publicizing media. Indeed, the importance of the oligarch's media empires appreciates in a kompromat war, because by that the oligarch can spread his kompromat on his own to as wide an audience as his empire can reach.[263] As far as (2) is concerned, the independence of the judiciary enters the picture when the kompromat is not simply a denouncing piece of information but evidence for a crime, that is, real data that can be used in courts. But if the prosecution and/or the judiciary were hand-guided, then no matter what kompromat one might have, nobody would be convicted unless the one who hand-guides approves. Moreover, if an interest actor can control prosecution, the legal process cannot even reach the trial stage, regardless of the submitted kompromat or

259 Szilágyi, "Kompromat and Corruption in Russia," 215.

260 Szelényi, "Capitalisms After Communism," 40–42.

261 Ledeneva, *How Russia Really Works*, 66–72.

262 Szilágyi, "Kompromat and Corruption in Russia," 218–25.

263 Cf. Judah, *Fragile Empire*, 42–46.

evidence, and *vice versa*: **only the one who has exclusive control can use kompromat and launch prosecution (and have his targets convicted by courts) at his discretion**.

This explains why the establishment of **patronal autocracy brings the end of a competitive kompromat market**.[264] Genuine media-pluralism disappears as the sphere of communication becomes dominated, whereas prosecution and/or the courts lose their independence and become either neutral—toward the adopted political family—or active—toward those the chief patron wants them to. In such situations, the kompromat market effectively becomes a monopsony (a single-buyer market) as **the chief patron becomes the foremost user of kompromat**, because the institutions of the kompromat's mechanism of action are put under his authority. Also, while kompromat in communist times was a state monopoly, it can easily happen that under a mafia state it becomes the chief patron's monopoly on the collector side, too, as the means of private kompromat-collectors pale in comparison to (1) the state's legally given access to classified or confidential data and (2) the patron's secret service.

Finally, kompromat goes through a change of character in a patronal autocracy in three ways.[265] First, in other regimes, kompromat can be collected but it cannot be generated in the sense that there is an existing legal framework and non-compliances to it create the piece of information that can be used as kompromat. However, a patronal autocracy can also generate kompromat as the chief patron can change the legal framework to his liking. Indeed, instrumental law in general and custom-tailored laws with too much detail in regulation in particular can create situations (even retrospectively) which make criminal the otherwise non-criminal acts of targeted individuals. Therefore, even perhaps small violations of the law can become criminal and the number of instances where a piece of information can also become kompromat rises. The second way kompromat changes character is that **it helps bridge the discrepancy between equality before the law and inequality after the law**. **In communist dictatorships**, the system did not have to use special kinds of "evidence" against political opponents because they were openly banned. With inequality before the law, political opponents could be sent to jail and the category of **political prisoner** existed accordingly (typically separated spatially, as a distinct "class," from ordinary criminals in penitentiary institutions). But **in a patronal autocracy**, the system is formally a democracy and the basic rights and liberties of people are formally upheld. Therefore, **the adopted political family must transform political opponents into common criminals to jail them**. Kompromat is collected and used by the adopted political family for this purpose particularly, where the chief patron can activate prosecution discretionally and hand over (through front men) the evidence, on the basis of which political opponents can be convicted. Third, kompromat changes character in a way that one of the conditions of adoption to the political family is for the chief patron to have a kompromat on the candidate. As we indicated in the previous chapter, in the adopted political family **everyone besides the chief patron must be a transgressor so they can be blackmailed and kept in line** [→ 3.6.1.2]. (Naturally, the chief patron, as the head of the criminal state, is also a transgressor.) Therefore, kompromat is not simply collected but in

[264] Szilágyi, "Kompromat and Corruption in Russia," 229–31.

[265] For a more detailed analysis of kompromat in Russia, see Ledeneva, *How Russia Really Works*, 58–90.

a way requested, either in the form of pre-existing kompromat or requiring the person to commit some (perhaps minor) crime so a kompromat exists on him for the chief patron, who can launch a criminal process after a political decision has been made to punish or remove an insubordinate actor. Thus, kompromat in a patronal autocracy gets a new function as it serves as a means of blackmail to enforce loyalty to the chief patron at the helm of the single-pyramid patronal network.

4.3.5.3. Legalism: democratic and autocratic

Legalism is a phenomenon noted in various regimes and defined usually as the application of the law without paying attention to the decisions' social, political and/or moral context.[266] To be more precise, it is worth making at this point the common distinction between the "letter of the law" and the "spirit of the law." On the one hand, a law prescribes what counts as illegal behavior and how it should be punished (letter of the law). On the other hand, the legislator who creates that law has some intent and the law should be applied in a way that fits to it (spirit of the law). The context mentioned above refers, in our understanding, to the spirit, whereas legalism is **disregarding the spirit of the law and using legality for one's objectives, going against the laws' declared purpose**.

Legalism exists in various regimes, even in liberal democracies. But to be able to distinguish its various types, we need to consider additional aspects. Most importantly, **every law has two spirits**, which may be called:

- **the endogenous spirit of the law**, which refers to how the decisions of political actors who act by the law affect **concrete actors** who fall under the law's range. Here, the spirit of the law refers to the legislator's intent as to how he wants to regulate the actors' behavior, whereas legalism that disregards this mistreats the actors from the point of view of the legislator;
- **the exogenous spirit of the law**, which refers to how the decisions of political actors who act by the law affect the **constitutional system** that contextualizes the whole legal corpus. Here, the spirit of the law—indeed, a general spirit that is the same for all the laws of a polity—refers to the ideological framework that justifies the existence of the constitutional system, whereas legalism that disregards this results in decisions that impair the constitutional system from the point of view of its founders.

Indeed, when people usually speak about the "spirit of the law," they mean the endogenous spirit. As for the relation between the spirit and the letter of the law, **in liberal democracies** the enforcing phase of public deliberation is about making the laws work as the people's elected representatives wish. Therefore, **political actors who enforce the laws are expected to apply them in a way that is compatible with the legislator's intent** even if in a concrete case the letter of the law could be interpreted to say otherwise. In contrast, expressions like "red tape" (in the context of the bureaucracy) and "rules-lawyering" and "corruption of the

[266] For a seminal work, see Shklar, *Legalism*.

law" (in the context of the courtroom) have been used to describe practices of disregarding the spirit of the law and making a reference only to its letter, making subsequent decisions formally legal but indeed unjust.[267]

On the other hand, the exogenous spirit of the law regards legal decisions' moral and political context, or the moral and political context of the constitutional system. This means not simply that—in liberal democracies—the legal system and its decisions must be compatible with the constitution, but also that the general spirit of every law is constitutionalism, in the sense we explained it at the beginning of the chapter. Concretely, in every legal case, that is, in every application of the law **political actors ought to take into account the effect of potential decisions on the prevalence of the public deliberation process**. Sartori calls this the "telos" of the law, understood as the ultimate purpose of defending citizens from tyranny, and warns that a polity where the judiciary lacks the sensitivity to this ultimate purpose risks the prevalence of limitless power and losing political liberty at once.[268] As Mazmanyan paraphrases Alexis de Tocqueville, the "peril of legalism" in this respect is none other than "a triumph of order over freedom."[269]

Table 4.11 introduces the terms democratic and autocratic legalism, typically occurring in democracies and autocracies, respectively. The distinctive feature of **democratic legalism** is that in it **lower-level political actors** like bureaucrats and judges **abuse laws that apply to others**. In other words, the laws are created by legislators to regulate people in some way, but they are interpreted and applied by public servants in a way that goes against the declared intent.

In democratic legalism, **bureaucrats and judges can disregard the endogenous spirit of the law**. When bureaucrats do it and they prevent the action of social actors by adhering rigidly to formal rules and requiring them to fill in administrative documents and acquire licenses that are indeed redundant, we speak about **red tape**. "Red tape" is a colloquial expression but it has been used in scholarly articles as well for such over-activity of the bureaucracy in enforcing an excessive burden of (governmental) regulations that paralyzes economic and communal actors—even when this clearly was not the intent of the legislator.[270] On the other hand, judges can also engage in democratic legalism in cases of the above-mentioned **rules-lawyering**, when a court ruling adheres to the word of the law but not to its spirit.

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[267] Kusiak, "Rule of Law and Rules-Lawyering."

[268] Sartori, "Constitutionalism."

[269] Mazmanyan, "Constitutional Courts," 133. See also Tocqueville, *Democracy in America and Two Essays on America*.

[270] Bozeman, "A Theory of Government 'Red Tape.'" Indeed, besides the bureaucrats transforming normal regulations into red tape (i.e., "rule-evolved red tape") Bozeman also writes about "rule-inception red tape," which he understands as "rules that are at their origin dysfunctional." But already the word "dysfunctional" expresses that they do not function as the legislator intended, therefore even those can be considered instances of legalism.

Table 4.11. Democratic and autocratic legalism.

	The spirit of the law regards…	
	Concrete actor(s) (endogenous spirit of the law)	**Constitutional system (exogenous spirit of the law)**
Democratic legalism (lower-level political actors abuse laws that apply to others)	Red tape (bureaucracy), rules-lawyering (courts)	Applying laws incompatible with constitutionalism and leading to self-destruction of democracy
Autocratic legalism (higher-level political actors abuse laws that apply to them)	Using democratic mandate to create instrumental law	Using democratic mandate to institutionalize autocracy

As for the exogenous spirit of the law, it is disregarded in democratic legalism when **laws are applied in a way that is incompatible with constitutionalism.** In our understanding,[271] democratic legalism that disregards the exogenous spirit of the law happens when **decisions effectively wreck the public deliberation process** and therefore lead, not toward the reinforcement of liberal democracy—as it would be the purpose of the constitution—but its destruction. Such situations might occur, for example, when the court will not allow a party to register for formal reasons, when free speech or demonstrations are hindered, or even—to recall a striking case from Hungary—when the Constitutional Court in 2008 gave way to the initiative of a national referendum of Fidesz on the annulment of higher-education fees and a nominal fee for visiting the doctor (despite the fact that the constitution clearly intended to prohibit referenda in budget matters). This decision was disruptive and disregarded the exogenous spirit of the law because it legitimated and reinforced the unrealistic expectations of the voters, disabled the operational ability of the government, stepped up polarization, and all in all played an instrumental role in the disintegration of the Third Hungarian Republic in the wake of Viktor Orbán's two-thirds victory.[272]

Turning to **autocratic legalism**, Scheppele defines it as a phenomenon when "electoral mandates plus constitutional and legal change are used in the service of an illiberal agenda."[273] This definition already includes the principal difference between autocratic and democratic legalism. Namely that, in autocratic legalism, **higher-level political actors abuse laws that apply to them** in an attempt to carry out power policies (conservative autocracy) and patronal policies (patronal autocracy). While in democratic legalism political actors apply a law to others while disregarding its spirit, autocrats disregard the spirit of the laws that were created to sustain a proper democratic (i.e., constitutional) functioning. Thus, autocratic legalism can be understood as an abuse of power whereby higher-level political actors use the letter of the law for the diametrical opposite of its spirit: they use their democratic mandate and legal empowerment to disrupt the system they got it in. As Scheppele writes, in these cases "constitutional democracies are being deliberately hijacked by a set of legally clever autocrats, who use constitutionalism and democracy to destroy both.

271 Cf. Sartori, "Constitutionalism," 857–59; Shklar, *Legalism*, 29–88.

272 Palonen, "Political Polarisation and Populism in Contemporary Hungary."

273 Scheppele, "Autocratic Legalism," 548.

[The] autocrats who hijack constitutions seek to benefit from the superficial appearance of both democracy and legality within their states. They use their democratic mandates to launch legal reforms that remove the checks on executive power, limit the challenges to their rule, and undermine the crucial accountability institutions of a democratic state."[274]

Although we will elaborate more on this later on, it is important to note that, as autocratic legalism involves using and rewriting "the rules of the game," the leaders must be able to legislate and even change the constitution on their own (without the support of other parties). In other words, **they must have the monopoly of political power** in order to be successful [→ 4.4.1.3]. As Maria Popova writes, autocrats "can govern within a constitutional framework, even if they are not fully constrained by it. In an ideal type […] regime, the autocrat sets the substantive law […]. The opposition does not have the opportunity to shape substantive law, either through the legislative process or by appealing to the Constitutional Court."[275]

On the one hand, in a democracy **the endogenous spirit of laws** regulating the behavior of high-level political actors entails the creation of clear, public, stable rules that will regulate the polity's life. In other words, it calls for constitutionally limited law. But autocrats disregard this spirit and start to rule by law, that is, create **instrumental law** and use the legal system—via custom-tailored lexes and breakneck legislation—for their power or patronal policy goals. On the other hand, **the exogenous spirit of the law** is constitutionalism in the initial democratic environment, and democratic mandates enable leaders "to play the game," that is, to remain within the realm of normal politics and act by paying attention to constitutionalism in general and the process of public deliberation in particular. However, autocrats use their mandate not to play the game but to change its rules and to **institutionalize autocracy** in the end. This includes **(1) changing the constitution, (2) narrowing the competences of other branches of power and/or (3) replacing the members of the constitutional bodies (checks and balances) with patronal servants** and political front men, who the leaders can appoint by relying on the monopoly of political power that legally gives them a monopoly in political appointments as well.[276] The result is the neutralization of the public deliberation process, institutionalizing the forms that we have identified above.

Javier Corrales, who coined the term "autocratic legalism" identified it as "the use, abuse and non-use […] of law" in Hugo Chávez's Venezuela.[277] This triad fits into our analytical framework as well. **"The use of law"** appears when the endogenous spirit of the law is violated. Indeed, this is what we mean by "rule by law" and the instrumentalization of the legal system. **"The abuse of law,"** on the other hand, takes place in both subtypes of autocratic legalism, for it entails precisely the abuse of power, that is, the (endogenous and exogenous) spirit of the laws that regulate it. Finally, **"the non-use of law"** refers to politically selective law enforcement, which is not part—in our understanding—of autocratic legalism *per se* but is enabled by it, for the chief patron abuses his democratically granted right by appointing a front man as the chief prosecutor or neutralizing the judiciary in

[274] Scheppele, 547.

[275] Popova, "Putin-Style 'Rule of Law' & the Prospects for Change," 65–66.

[276] Scheppele, "Autocratic Legalism," 551–53.

[277] Corrales, "The Authoritarian Resurgence."

one of the two other ways [→ 4.3.5.2]. Also, if the adopted political family takes over the judiciary, **they can turn judicial discretion into political discretion**. In liberal democracies, laws typically prescribe not a single punishment for a violation of law but a range of punishments, and judges are given room for maneuver to interpret the law. This is called "judicial discretion," and its meaning is precisely to allow the judges to take into account the context of the case and, while remaining faithful to the letter of the law, reconcile it with its (endogenous) spirit.[278] Naturally, this process necessitates an independent judiciary and that it is indeed at the judge's discretion, within the broader limits of the law, to decide legal cases. In an autocracy, however, judicial discretion is either eliminated—by creating such detailed, custom-tailored laws that minimize the judge's room for maneuver—or taken over and turned into political discretion, which means that the room for maneuver becomes a tool of an external political will. It becomes the chief patron who tells what punishment from the legally given range someone should receive (if at all); and typically, if this happens, the room for maneuver is not eliminated but widened, so that the leaders' arbitrariness can move on a large amplitude while remaining faithful to the letter of the law.

4.3.5.4. White, grey and black coercion

In the previous parts, we described the institutions by which a decision is made whether one commits a crime. Now, we describe the institutions that step in when this decision is made and the state decides to use coercion against someone who deviates from the polity's principles. Speaking about state coercion [→ 2.2], there are two groups of types we need to distinguish in general: **(1) insourced state coercion**, which refers to public institutions which are part of the state and constitute the everyday "arsenal" of the state to enforce laws and manage the regime on its own, and **(2) outsourced state coercion**, where actors who would not be allowed to use violence in the regime's territory are given this right by the leading political elite. Table 4.12 summarizes the main types of both insourced and outsourced state coercion, where the first one is identical to its only type, white coercion:

- **White coercion** is a type of coercion which is legal in the polity by default, that is, it relies on the state's legitimate use of violence as a part of the state. In other words, white coercion is exercised by legal public institutions (violence-managing agencies), which act as parts of the state and use violence to extract, manage and distribute resources within the borders of the regime.

In contrast, outsourced state coercion has two types, grey and black coercion:

- **Grey coercion** is a type of coercion which is legal in the polity by the authorization of the state. In other words, grey coercion is exercised by legal private institutions (violence-managing agencies), which act as licensed actors and/or subcontractors of the state and use violence within the range of their authorization.

[278] Dworkin, "Judicial Discretion."

- **Black coercion** is a type of coercion which is illegal but still employed by the state to achieve its goals. In other words, black coercion is exercised by illegal private institutions (violence-managing agencies), which act as informal contractors of the state as violent entrepreneurs.

As it can be seen from the definitions, **what we indicate by moving from white to black is the legality of coercion**.[279] We move from white coercion—the legality of which is given by definition—through grey coercion—the actors of which would not be allowed to use violence on their own but the state legally empowers them to do so—to black coercion—which is illegal but still employed occasionally by the leaders, typically autocrats, to achieve their (patronal policy) goals. Also, it is worth noting that both legalization and legitimization of the use of violence can only be done by the state, for it has a monopoly, that is, a control over the market of the use of violence [→ 2.5].

Table 4.12. Institutions of state coercion and their functions.

	Type of organization	Characteristic state function in…	
		Liberal democracy	Patronal autocracy
White coercion (default legal use of violence)	Law enforcement agency (police, SWAT etc.)	Normative law enforcement through (threats of) violence	Extortion through selective law enforcement, protection of the adopted political family
	Revenue agency (tax office, accounting office etc.)	Collection of normatively imposed levies	Extortion through selective inspection and penalties
	Intelligence agency (secret service etc.)	Surveillance and neutralizing national security threats	Surveillance of formal and informal opposition (parties, NGOs, individuals)
Grey coercion (authorized legal use of violence)	Auxiliary police (self-defense organization etc.)	Part-time reserves of national police force	Helping law enforcement agencies in serving the adopted political family
	Private protection agencies (secret service, private police etc.)	Protection of people and objects of public importance	Protection of people and objects of patronal importance
Black coercion (illegal use of violence)	Fan clubs (ultras, skinheads etc.)	n.a.	Neutralizing protests and other opposition-related activities
	Paramilitary group (militias etc.)	n.a.	Intimidation, violent resolution of mass opposition activities
	Organized underworld (criminal groups, classical mafia etc.)	n.a.	Extortion and liquidation of specific targets or opponents of the adopted political family

279 Our distinction of actors corresponds to Jennifer Earl's typology of repression, which distinguishes coercion undertaken by state agents tightly connected with national political elites, state agents loosely connected with national political elites, and private agents. Earl, "Tanks, Tear Gas, and Taxes," 48–52.

Box 4.7. White coercion through police in Uzbekistan.

"'It's a very vertical system,' confirms [investigator] Alina. 'Back in 2003, people were paying between two and three hundred dollars for a job in the traffic police—depending on where they were stationed. Checkpoints in neighborhoods with a lot of cars and wealthy people cost more than others. Then the precinct boss says, 'At the end of the month, pay me two hundred or three hundred or lose your job. I take your money because I'm under pressure from my boss.' So a certain proportion of the money they make every month they pay to their boss, and up and up all the way to the minister. And this is true in all sectors.' At General Motors, [. . .] which builds and sells the vast majority of the cars on Uzbek roads, bribes are paid to get on an expedited list to purchase a car and then are shared between local dealerships and the Agency of Automobile and River Transport, which sends a cut to the office of the first deputy prime minister in charge of economy and finance. [. . .] The doings of local officials—including their corruption—are carefully monitored from the top. The journalist in the chain restaurant describes regular nighttime video conferences between the prime minister and local officials, down to the district level: 'They can use these sessions to dramatic effect. Sometimes they haul people off to jail, right on camera. They shout at people, insult them. It's a way to embarrass and intimidate them.'"

– Sarah Chayes, *Thieves of State: Why Corruption Threatens Global Security* (W. W. Norton & Company, 2015), 112–13.

Nominally, the institutions of state coercion are largely similar in liberal democracies and patronal autocracies, but their characteristic state functions differ as to whether they fulfill public policy or patronal policy goals, respectively. By "characteristic state function," we do not refer to that the given function appears only in that regime; moreover, a characteristic state function may not even be the dominant one. Indeed, it is "characteristic" in the sense that fulfilling that function is what the regime is typically recognized for. Concretely, listing the institutions below we mention (1) the main state function of the institution in liberal democracy, and (2) the new, extra function the institution receives in patronal autocracy, which appears more or less regularly alongside the function it fulfills in liberal democracy.

In cases of white coercion, the three main institutions are: **law enforcement agency (police, SWAT etc.), revenue agency (tax office, accounting office etc.) and intelligence agency (secret service etc.).** In liberal democracies, law enforcement serves the purpose of normative law enforcement, that is, to use (threats of) violence to minimize deviations from the law in the polity. In patronal autocracies, these agencies are subordinated to politically selective law enforcement and indeed engage in extortion when they enforce instrumental laws of the adopted political family. While the police typically fulfill this first function, special anti-terror divisions of law enforcement are often used for the protection of the members of the adopted political family, as in the cases of Russia and Hungary [→ 3.3.6]. In other countries like Uzbekistan, extortion through law enforcement goes beyond functioning the formal institution by informal norms, and informal bribes—indeed protection money [→ 5.3.3.1]—are collected in addition through the police (see Box 4.7).

The situation of the tax office is similar: it collects normatively imposed levies in a liberal democracy, while the chief patron assigns it a new function that is particular to patronal autocracies: extortion through selective inspection and penalties, that is, through selective law enforcement and supervisory intervention [→ 5.4.1.2]. Finally, the intelligence agency, as we explained in the previous chapter [→ 3.3.6], is the state's secret service in a liberal democracy that becomes the patron's secret service in a patronal autocracy. The main function of this agency in a liberal democracy is surveillance and neutralizing national security threats; in a patronal autocracy, its characteristic function is surveillance of formal and informal opposition (parties, NGOs, and even individuals).

Turning to **grey coercion**, two main types of organizations that are authorized to use violence are **auxiliary police (self-defense organization etc.) and private protection agencies**, as classified in Chapter 2 [→ 2.5.2]. Auxiliary police in a liberal democracy are composed of civilians who serve as part-time reserves of the national police force. There-

fore, it adjusts to the goals of the state law-enforcement agency. In a patronal autocracy, auxiliary police similarly help the national police, but as police are, as we mentioned above, subordinated to patronal policy goals, auxiliary police will help it achieve those ends and serve the adopted political family. Private protection agencies like security services and private police are employed by constitutional states to protect people and objects of public importance, such as state buildings and politicians. In a patronal autocracy, the mafia state employs them to protect people and objects of patronal importance, which might extend to places that are not formally part of the state but are regarded important by the informal patronal network.[280]

Finally, the actors of **black coercion** have no characteristic state function in a liberal democracy. Indeed, following the congruence of *de jure* and *de facto* and that the state is committed to enforce its laws, thugs are subject to criminal persecution and not employment by the state. Yet in patronal autocracies[281] they are employed, although only occasionally and against targeted individuals who can neither be neutralized nor coopted (that is, subjugated in the single-pyramid patronal network). There are three important types of organizations used for such jobs. First, there are **fan clubs (ultras, skinheads etc.)**, which can be used to neutralize protests and other opposition-related activities.[282] Second, autocrats can employ **paramilitary groups (militias etc.)**, which can intimidate and disrupt mass opposition activities violently, and even fight against other armed groups as mercenaries, like in the case of the Cossacks in Putin's Russia.[283] Last but not least, the mafia state can hire **the organized underworld**, such as criminal groups and the classical mafia as well, which can extort and liquidate specific targets or opponents of the adopted political family. The scale for such targets might range from opposition politicians through rival oligarchs to unyielding journalists.

4.4. Defensive Mechanisms: Stability, Erosion, and the Strategies of Consolidating Democracies and Autocracies

The regimes we define are ideal typically **stable, self-sustaining systems**. They do have strong and characteristic internal dynamics and are subject to change in many of their parts, but every change (1) happens by the internal logic of the system, following its formal and informal institutions, and (2) does not change the general character or "essence" of the system. As János Kis explains, self-sustaining systems may fall as a result of exogenous shocks like wars or worldwide economic depression, but their endogenous components,



[280] Savage, "The Russian National Guard."

[281] Indeed, other more repressive regimes might employ black coercion, too. For the example of a market-exploiting dictatorship, see Ong, "Thugs-for-Hire."

[282] Bozóki, "Hungarian 'Exceptionalism': Reflections on Jeffrey C. Isaac's Illiberal Democracy."

[283] Herpen, *Putin's Wars*, 143–51.

that is, the internal processes that make up the system do not break it down.[284] Naturally, there can be components that aim at destroying the system or changing its essence, and therefore ideal type regimes are not *equally* stable. But the regimes we present have the potential to fight off destructive tendencies and maintain their existence without fundamental changes.

To be more precise, we can identify the features of self-sustaining systems in three points:[285]

1. **the regime's components are compatible**, that is, the activity of one institution does not preclude the others from performing the tasks that are assigned to them;
2. **the regime's components are mutually supportive**, that is, an institution, while performing its own task, also creates favorable conditions for the smooth running of other components, thus increasing the self-sustaining capacity of the whole system and contributing to the prevention of unwanted fluctuations in the regime;
3. **the regime has effective defensive mechanisms**, which prevent or contain destructive tendencies so they do not lead to the destruction of the regime's essence.

In the previous part, we have shown that in every regime the components belonging to them are indeed compatible and mutually supportive. This is obvious in case of liberal democracy, where the institutions fit into the pattern of public deliberation, but in the cases of the two other polar type regimes they also followed a distinctive attitude and fit into a respective ideological framework. Institutionalizing suppression of rights in communist dictatorships follows from Marxism-Leninism. *De jure* maintenance but *de facto* neutralization of public deliberation is in line with populism in patronal autocracies. The institutions we presented for each regime work together to sustain their political system and help its self-reproduction.

This part is devoted to the third point: **defensive mechanisms**. Moving away from conceptualizing institutions one by one, we now analyze certain constellations of institutions and their jointly created dynamic effects. We will examine (1) what is the essence in the case of each regime that is to be protected, (2) what constellation of institutions ensures their protection (defensive mechanisms), and (3) what happens when these defensive mechanisms erode, that is, when and how they are broken down—if possible—by inimical actors. Indeed, the strength of defensive mechanisms is directly proportional to the regime's stability: if they are stable, the regime is also stable and consolidated; when they are eroded, the regime is pushed toward self-destruction; and when a regime lacks them, it lacks consolidation and is extremely vulnerable to systemic collapse and change.

The three regimes explained in this part will not be the three polar types but the regimes on the left side of our triangular framework: **liberal democracy, patronal democracy, and patronal autocracy**. The reason for this is in the evolution of systems in the post-communist region. Defensive mechanisms are most important when they are under

[284] Kis, "Demokráciából autokráciába" [From democracy to autocracy].

[285] We take these points from one of Kis' manuscripts, which is indeed a longer version of the above-cited study he published three years later. Kis, "Demokrácia vagy autokrácia?"

attack, and in regime-changing systems this has happened either when actors attempted to transform a liberal democracy into an autocracy—like in the case of Hungary, where the attempt was successful—or when a patronal democracy is being transformed into a patronal autocracy—like in the case of Ukraine, where the attempts have been unsuccessful. We could not have seen such instances in post-communist conservative autocracies because there are none, only an attempt in Poland. Yet theory suggests that its defensive mechanisms would be similar to those of patronal autocracy, only with formal instead of informal means of consolidation (see below). As for communist dictatorships, they typically collapse not because of (internal) political but economic reasons: even with numerous correcting mechanisms [→ 5.6.1.2], central planning creates shortages and disincentivizes consumer-focused innovation, as it forces top-down decisions rather than allowing actors to adapt to changing needs.[286] In short of limitless resources, wasteful misallocation leads to social unrest—which the dictatorship can answer with oppression, as in North Korea—or to reforms—which move the dictatorship toward the market-exploiting ideal type, as in China. Yet not even a market-exploiting dictatorship is unchallenged. Indeed, we can see **a tendency of patronal autocracy's neighboring regime types to gravitate toward it—only patronal democracies do so by autocratic challenge, while market-exploiting dictatorships, by patronal challenge**. The former is going to be analyzed in this chapter, but understanding the latter, as well as the defensive counter-measures of market-exploiting dictatorships requires an overview of the economy first. Therefore, we postpone the discussion of market-exploiting dictatorships to the next chapter [→ 5.6.2].

4.4.1. Liberal Democracy: Separation of Branches of Power and Civil Society

4.4.1.1. The danger and containment of autocratic tendencies

Constitutionalism provides the framework from which the institutions of liberal democracy can be derived. It starts from the notion of human dignity and deduces **(1) the universal protection of human rights and (2) the people's equal right to have a say in how their life is governed**. From (1), it follows that **the scope of political power must be limited**; the state's use of violence must not be used to carry out rights violations. On the contrary, the *raison d'être* of a constitutional state is precisely to prevent rights violations, and although it can be democratically enabled to fulfill other (public policy) functions, even the people—typically the majority—are prohibited from initiating centrally-led infringement of the basic rights and liberties of others—typically the minority.[287] On the other hand, from (2) it follows that **the people must have an effective influence on lawmaking**. Be this influence direct—like in case of referenda—or indirect—like in case of electing representatives who will make the laws—it is a fundamental right of every citizen to have some kind of control over the laws that will regulate him and his life in the polity.

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286 Kornai, "Innovation and Dynamism"; Kornai, *The Socialist System*.

287 Sajó, *Limiting Government*.

Defensive mechanisms are needed to uphold (1) and (2), that is, constitutionalism in general. The primary threat liberal democracies have to be able to fight off to remain stable may be called **autocratic tendencies**: the activity of anomalous actors who go against constitutionalism and act towards eradicating it in favor of an autocratic rule. Indeed, these actors are "anomalous" because they do not follow the logic of "normal" democratic actors and parties, breaking the norms of mutual toleration and institutional forbearance (i.e., respecting the spirit of the law and the constitutional system).[288] This might involve non-deliberate actions, like most cases of democratic legalism when the judges focus on the law and case at hand but disregard its consequences for democratic processes (that is, the exogenous spirit of the law). But most autocratic tendencies, and especially the ones which defensive mechanisms must tackle, are the **deliberate attempts** of certain actors who aim at their own unconstrained rule—in violation of (1)—that is also unaccountable and everlasting—in violation of (2).

The first defensive mechanism that aims at upholding (1)—that is, the limited nature of power—stems from the **separation of branches of power**. The separation of powers was advocated most famously by Montesquieu, who described how the executive can be separated from the legislative and judicial branches of the state.[289] Naturally, actual separations in real world democracies are highly intricate and show a great variation of different patterns.[290] But the basic idea of Montesquieu that every solution sets out to realize is **to prevent every state function being exercised by the same person** or a single elite group. Institutions are set up in a way that not every political actor is either dependent or answerable to the leading political elite in general and the executive in particular (which is headed by the leader of the leading political elite, a president or prime minister [→ 3.3.1]). Therefore, while the state is a hierarchy, it is not controlled exclusively by anyone. Thus, formally, no one possesses enough power to realize his autocratic aims. Furthermore, should an autocratic tendency start in any branch—particularly the executive—the other branches are legally empowered to contain it (through veto rights, impeachment procedures, votes of no confidence etc.). Being capable of preventing some of each other's actions, the separated branches can work as **checks and balances** of each other and of autocratic actors.[291]

In a democratic state, **power is separated not only horizontally but also vertically**.[292] The power of the executive is narrowed by taking away some of its competences and giving them to separate branches, situated in the state and in a horizontal coordination with the executive branch. But power is also shared vertically **between the central government and local governments**. On the municipal, county or other sub-national level, the presence of local governments (and therefore some sort of **federalism**) acts as

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[288] Levitsky and Ziblatt, *How Democracies Die*.

[289] Montesquieu, *The Spirit of Laws*.

[290] Lijphart, *Patterns of Democracy*, 105–29.

[291] Madison, "Federalist No. 51."

[292] We are indebted to János Széky for this point. Also, this is not to be confused with O'Donnel's terminology of "vertical" and "horizontal accountability," where the former refers to elections and the latter, to the separation of powers and the capacity of autonomous institutions to "call into question, and eventually punish, improper ways of discharging the responsibilities of a given official." O'Donnell, "Delegative Democracy," 61.

a check and balance on the central government, which does not have full authority over the lives of citizens as some of that authority is passed on to the people's elected local representatives.[293] Naturally, how local governments are organized and how many levels of federalism there are varies greatly, and indeed it is more of a country-specific rather than a regime-specific question [→ 7.4.3.1]. But **the principle of subsidiarity** holds that social and political problems should be dealt with at the most immediate level consistent with their solution. Liberal democracies in general share this principle of subsidiarity, for it—in line with constitutionalism—"serves human dignity by enabling individuals to gain fulfillment through social interaction within a hierarchy of freely chosen associations, each performing its proper tasks, and with the larger associations aiding but not superseding the smaller ones."[294] Hence, the competences of local governments ideal typically include substantial legislative, judicial and executive powers regarding local issues (public schooling, land management, local investment projects etc.). Over these issues the authority of central government is constrained, and therefore alternative "islands of liberty" can exist and regulate the lives of local citizens with substantial autonomy.[295]

The second defensive mechanism that aims at upholding (2)—that is, the people's right to have a say in how their life is governed—is none other than **public deliberation**. For it is precisely public deliberation that allows the people: to evaluate the performance of the current government and the various alternatives to it (discussing phase, with an open sphere of communication); to have the alternatives to the government manifested in demonstrations and political parties (associating phase, with the free exercise of the right of association without state interference); to choose an alternative in a race where the decisive factor is who they prefer, not who the manipulated electoral system or the illegal access to campaign funds benefits (electing phase, with fair elections); to have the type of policy they voted for embodied in laws (lawmaking, with decision-maker legislature); and to have the laws created by their representatives enforced, so their life is indeed governed in the way they have chosen (enforcing phase, with equality after the law). It can be seen from this overview that **the presence of elections alone does not mean the people have a say how their life is governed** (i.e., (2) is upheld). Indeed, claiming otherwise has been identified as "the fallacy of electoralism" by scholars, reflecting on elections that the incumbents can manipulate to produce the result they want.[296] The people's right to choose how their life is governed necessitates knowing the alternatives, and also that the alternatives have a chance in winning the election, forming the government and creating laws that will regulate the people's life as they want it to be regulated. Furthermore, because (2) should be guaranteed for every citizen in every time period the process of public deliberation must be cyclical. The people's will must be able to remove the incumbent, who in turn must not be able to manipulate electoral competition in face of losing popularity. For that would mean that he keeps himself in power in spite of the people changing their mind about how their life should be governed, violating principle (2).

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[293] Bulman-Pozen, "Federalism as a Safeguard of the Separation of Powers."

[294] Neuman, "Subsidiarity," 362.

[295] Wolman et al., "Comparing Local Government Autonomy Across States."

[296] Karl, "The Hybrid Regimes of Central America."

As Kis explains, defensive mechanisms are embodied in "guarantial institutions" of the rule of law, including "the independent constitutional court and the ordinary courts, the public prosecutor's office isolated from direct party influence, and the party-neutral bureaucracy."[297] However, while we were talking about these institutions' internal significance—that is, why their independence is important within the state—Kis emphasizes what may be called their external significance, regarding the people outside the state: **guaranteeing the protection of political rights of the citizens**. Among political rights, he lists "freedom of speech, assembly, unification for everyone, right of access to information of public interest, and universal and equal suffrage," and argues that "[political] rights, in the absence of a strong background of rule of law, will become ineffective and eroded. However, where the institutions of rule of law are strong, political rights cannot be easily overcome."[298] Thus, **the institutions that guarantee the upholding of (1) contribute, by protecting political rights, to the proper functioning of public deliberation and therefore the upholding of (2) as well**. Indeed, it is these basic rights, as Kis points out, that "guarantee that no significant social group remains without political representation, and that the defeated electoral coalition is not deprived of the chances of winning the next election."[299]

In short, the separation of branches of power prevents autocratic tendencies by limiting the scope of rule, both horizontally and vertically, whereas the cyclicality of public deliberation prevents autocrats from everlasting rule by ensuring removability and accountability. These two institutional settings ensure a dynamics that are inimical to autocracy and favorable to limited, democratic rule.

4.4.1.2. Factionalism: the liberty of social groups and the four autonomies of civil society

In a study on the protection of democracy, András Jakab proposes the following list of concrete institutions that ensure, in our terms, the integrity of the two defensive mechanisms: (1) avoiding presidentialism and/or adopting term limits; (2) regulation of party financing and intra-party democracy [→ 4.3.4.4]; (3) international and supranational legal requirements regarding the rule of law; (4) federal statehood; (5) special constitutional rules (like unchangeable "eternity clauses"); (6) proportionate electoral system; (7) an organizationally and financially independent judicial system; and (8) the network of independent institutions that mutually protect each other.[300] We have either touched upon these guarantees or going to discuss them below. However, even if powers are *de jure* separated and the basic (political) rights to engage in public deliberation are legally protected, ensuring *de facto* separation and protection has an underlying condition: **the independence of the people operating these institutions**. James Madison famously argued that a constitutional system can be self-sustaining only if **the members of each institution have as little dependence as possible on other institutions**, for this is what allows them to act freely and ensures that they are not coerced into supporting the other institutions. In Madison's words, the maxim of effective checks and balances goes as follows: "Ambition must be made to counteract

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297 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 59.

298 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 59.

299 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 59.

300 Jakab, "What Can Constitutional Law Do against the Erosion of Democracy and the Rule of Law?"

ambition."[301] To impede autocratic tendencies or "the turbulency and weakness of unruly passions," factionalism is required, that is, the competition of independent groups with different interests involved in the procedure of state-decision making.[302] Since no faction is interested in another faction's single rule, they have a clear incentive to fight autocratic tendencies and their involvement in the state decision-making process; independence from the autocratic actor enables them to do so.

Madison's argument for factionalism regarded public institutions, that is, the **separation of branches of power**. Indeed, in this respect the autonomy of state departments and especially local governments is a vital issue, which should not be fully dependent on the central government especially in terms of tax revenues.[303] But Madison's argument can well be extended to the private sphere, as well as to the entire process of **public deliberation**. Fundamental rights like freedom of speech and association can be exercised freely only when private people are not dependent on the state—**when the liberty and autonomy of societal groups prevails**. Again, this refers particularly to financial independence, that is, the people's ability to sustain themselves and finance the exercise of their rights independently from the leaders' decisions.[304] On the one hand, this is ensured in liberal democracies by rules and regulations that prohibit the leaders to decide discretionally in the distribution of resources and to discriminate on a political basis in budgetary spending and state contracts with entrepreneurs and public servants.[305] On the other hand, a perhaps more substantive basis for liberty and autonomy is the capacity to finance oneself from the private sector, that is, from supplying goods and services to the citizens without the interference of the leading political elite.

To see what this means for the process of public deliberation, let us take four groups of actors:

- **the autonomy of media** or media entrepreneurs allows them to broadcast critical opinions without the fear of repercussions from the state. This is crucial for the public deliberation process, because it is precisely the national display of alternatives that (1) makes citizens able to evaluate them (discussing) and (2) makes opposition politicians and parties visible in terms of their offered alternatives;
- **the autonomy of entrepreneurs** makes it possible to support whichever political actor they want, without the fear of repercussions, whereas for the opposition it facilitates to gather the financial resources needed for effective functioning. Some people see a threat in the business financing of democratic politics[306] and entrepre-

[301] Madison, "Federalist No. 51," 319.

[302] Madison, "Federalist No. 10."

[303] Wolman et al., "Comparing Local Government Autonomy Across States," 380.

[304] Therefore, democracy also entails private property and capitalism, or an extensive private sphere where ownership rights can be exercised without state control. See North, Wallis, and Weingast, *Violence and Social Orders*, 21–25; Friedman, *Capitalism and Freedom*, 7–21.

[305] "Political Discrimination in Hungary," 9–12.

[306] Crouch, *Post-Democracy*; Hickel, "Neoliberalism and the End of Democracy." We will return to business groups and lobbying in Chapter 5 [→ 5.3.1, 5.4.2.3].

neurial payments have been labelled "plutocratic."[307] But when autocratic tendencies surface and public resources are more and more controlled by the autocratizing state,[308] it is autonomous entrepeneurs who can ensure that the opposition has access to a source of financing, independent from the state and its leaders;

- **the autonomy of NGOs** enables independent watchdog functions, that is, to investigate how public institutions work and have no incentive to fall silent on pieces of information of public interest. In public deliberation, the function of NGOs appears partially in the discussing phase, where they offer unique knowledge for the people to consider, and partially in the associating phase, for interest groups and also trade unions comprise special subtypes of NGOs in active negotiation with the government to represent special interests of societal groups;
- **the autonomy of citizens** or "the masses" means that they cannot be coerced or intimidated by financial means, particularly in expressing their opinion (discussing) and choosing their leaders (electing).[309] Autonomous citizens have the capacity to resist autocratic tendencies, to form social movements and to stand up for their interests in general, with the proper financial background to associate for peaceful actor change—forming or supporting political parties—and/or policy change—forming or supporting interest groups.

Jointly, these actors may be referred to by the umbrella term civil society. Essentially, civil society means the sum of politically interested actors of the market and communal spheres who act by civic virtue, counterbalancing the acts of the political sphere.[310] **In a liberal democracy**, civil society is **free** and independent, with their—market and communal—spheres of social action being separated [→ 3.2]. The independence of civil society is crucial, for this is what allows that competing factions with different interests can emerge in the first place.[311] As North and his colleagues write, organizations in a liberal democracy "from garden clubs and soccer leagues to multinational corporations and nongovernmental organizations (NGOs) to interest groups and political parties all form pools of interest that can independently affect the political process."[312] Our definition of "civil society" significantly differs from several others in the literature, which typically do not include entrepreneurs in civil society.[313] Yet their inclusion is necessary because the four autonomous groups fulfill a function together: the function of a defensive mechanism. The liberty and autonomy of societal groups ensures the *de facto* democratic functioning of public deliberation as well as the clear incentives and effective means to fight off autocratic tendencies. Hence, **it is indeed the autonomy of civil society that embodies the second**

[307] Scarrow, "Political Finance in Comparative Perspective."

[308] Way, *Pluralism by Default*, 16–17.

[309] Schedler, "The Menu of Manipulation," 44. Cf. Frye, Reuter, and Szakonyi, "Hitting Them With Carrots."

[310] Seligman, "Animadversions Upon Civil Society and Civic Virtue in the Last Decade of the Twentieth Century."

[311] Gellner, *Conditions of Liberty*.

[312] North, Wallis, and Weingast, *Violence and Social Orders*, 117–18.

[313] For example, see Howard, *The Weakness of Civil Society in Post-Communist Europe*.

defensive mechanism of liberal democracy (the first one being the separation of branches of power), as the presence of *de jure* institutions of public deliberation is a necessary but not sufficient condition of guaranteeing the aforementioned *de facto* democratic character of the process. With autonomous civil groups, democracy is protected and autocratic tendencies may be fought off.

4.4.1.3. Erosion of defensive mechanisms: constitutional coup and autocratic breakthrough

The separation of powers is guaranteed by the constitution, which, therefore, must not be a façade that is *de facto* disregarded.[314] While there are institutional guarantees to this as well—like a Constitutional Court or other body of constitutional review[315]—their power too relies on laws which could also be disregarded by a leading political elite. As we explained, factionalism and the high number of autonomous actors counter-interested in this provide a strong defense against such violations. Indeed, the most general foundation that prevents disregarding laws is the **legal-rational legitimacy** of liberal democracy. Understanding legality as an end in itself, the rule of law prevails, as well as the coincidence of *de jure* and *de facto*, making *de jure* checks and balances effective. Ideal typically, it does not even occur to actors to step over constitutional rules, whereas the population would see such acts genuinely wrong and illegal. In contrast, **when this legitimacy basis of democracy is changed to substantive rationality, the rule of law perishes and autocratic tendencies weaken a roadblock to their breakthrough**. Indeed, substantive-rational legitimacy is precisely an anomaly in the democratic system that is particular to the "anomalous actors" we mentioned above. And as we identified two kinds of actors who proclaim substantive-rational legitimacy and only one of them engages in elections (communists, following Marxism-Leninism, are revolutionaries) we can pinpoint what type of actors are usually the anomalous challengers of liberal democracies: **populists**.[316]

Analyzing populists in power, Takis S. Pappas observes that in each real-world case they have tried to "1) colonize the state by appointing party loyalists at all levels of the state bureaucracy; 2) launch a massive assault on liberal institutions; and 3) set up a new constitutional order that replaces institutions of horizontal accountability with others more vertical in nature. […] Without exception, populists in office have tried to enlarge the state and fill government jobs with political supporters in order to expand the populist leader and party's control over crucial institutions."[317] To put it in our terms, populist actors can step over the defensive mechanisms of liberal democracy in three steps:

1. **they win the elections** and come to power;
2. they use their democratic mandate for autocratic legalism to **connect the branches of power**, particularly by (a) strengthening the power of the executive, (b) narrowing the competences of other branches and local governments, and/or (c) replacing

314 Sartori, "Constitutionalism," 861.

315 Sweet, "Constitutional Courts."

316 Cf. Pappas, "Distinguishing Liberal Democracy's Challengers."

317 Pappas, "Populists in Power," 73.

their members with patronal servants (indeed, not "party loyalists" in the post-communist region but actors who are loyal to the adopted political family [→ 3.3.5]);

3. they **use the power of the state**, exercised by the chief patron through the connected branches, **to subjugate the four autonomies of civil society** to undermine effective opposition and the public deliberation process, and thus to consolidate autocracy.

When populists start this process of patrimonialization of the political sphere, we speak about an **autocratic attempt**. An autocratic attempt involves a series of formal institutional changes initiated by the leading political elite and aiming at the systemic transformation of a democracy to an autocracy. Such changes that connect the branches of powers include:[318]

- court packing, especially of the constitutional court (ensuring that no major public decisions are declared unconstitutional and nullified);
- replacement of the heads of civil courts, weakening the judiciary, transferring a significant part of their powers to a subordinate office of the government (to decrease the chances of citizens seeking redress for their violations of power);
- takeover of prosecution with a patronal servant (to ensure politically selective law enforcement [→ 4.3.5]);
- changing the rules on the appointment, promotion and possible replacement of civil servants (to be able to institutionalize a patronal bureaucracy);
- weakening of local governments (to eliminate the vertical separation of powers);
- rewriting electoral rules one-sidedly, including gerrymandering and making the electoral rules more majoritarian (to facilitate future electoral victory);
- changing the constitution to expand the competencies of the executive, president or prime minister (to strengthen the chief patron's position).

The success of an autocratic attempt depends on mainly one factor: whether the populists win the elections with a supermajority, or more broadly—taking presidential systems into account—**whether they get the monopoly of political power**. In presidential systems, this is easier to imagine for in the hands of the president already a great power is concentrated (as we show below). But even in parliamentary democracies where the separation of branches of power is protected by the constitution, there is usually the opportunity to change the basic institutional setting with a strong enough majority. Indeed, the constitution and some other laws that prescribe the proper functioning of institutions are not regarded completely unchangeable but rather "cardinal" or "organic" laws that can be changed if there is such an overwhelming consensus about it in the polity.[319] However, while this is typically imagined as a rare agreement between competing factions in chang-

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318 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 59–60; Scheppele, "Autocratic Legalism."

319 Grimm, "Types of Constitutions."

ing "the rules of the game," if populists alone are able to reach the monopoly of political power, they can engage in autocratic legalism and one-sided changes of the constitution. This may be called a "constitutional coup:"[320]

- **Constitutional coup** is a process of changing the constitution as well as the basic (*de jure*) institutional framework of a democratic polity by a single political actor to empower the executive—that is, himself and his leading political elite—at the expense of other branches of power, in the name of substantive rational legitimacy (populism).

While we use the word "coup," it is important to note that here, **as opposed to military coups, legal continuity is formally maintained**.[321] Hence it is a "constitutional" coup, although it relies only on the constitution's letter while wholly dismissing its spirit. This is precisely what autocratic legalism means, that the exogenous spirit of the constitution is disregarded and it is used to destroy itself, that is, to liquidate liberal democracy and institutionalize autocracy.[322] Popular concepts like "de-democratization"[323] and "democratic deconsolidation"[324] all try to capture this paradoxical aspect: the neutralization of democratic checks without abolishing their institutions, or the elimination of constitutionalism without breaking legal continuity.

In the process of constitutional coup, **the populist does not *de jure* eliminate the separation of powers (on the contrary), but he connects the branches through his competences of appointment in a single vertical of vassalage**. Branches of power that may try to defend liberal democracy can be neutralized by narrowing their competences or by using any other method we explained above with respect to courts and persecution.[325] Therefore, while Montesquieu's idea was precisely that the whole power of the state should not be centralized in a single hand, the chief patron achieves this through autocratic legalism in the name of substantive-rational legitimacy.

Analyzing past cases, we can call entire cases only autocratic attempts if the leading political elite tried to institutionalize an autocracy but without having the monopoly of political power to carry out a constitutional coup, to rewrite any institution, and to trump all defensive mechanisms at will. We can speak about an **autocratic breakthrough**, however, in cases of **successful and systemic transformation of a democracy to an autocracy**, initiated by the leading political elite. In an autocratic breakthrough, the leading political elite engages in a constitutional coup to concentrate state powers in a single hand and to solidify autocratic rule, eliminating the liberty and autonomy of various state departments through changes initiated in rapid succession.[326] Yet this still demolishes only the first defensive

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320 Vörös, "A 'Constitutional' Coup in Hungary between 2010–2014."

321 Jakab, "What Can Constitutional Law Do against the Erosion of Democracy and the Rule of Law?," 2.

322 Vörös, "A 'Constitutional' Coup in Hungary between 2010–2014," 45.

323 Bogaards, "De-Democratization in Hungary."

324 Foa and Mounk, "The Danger of Deconsolidation."

325 Scheppele, "Autocratic Legalism," 549–56.

326 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 62–67.

mechanism of liberal democracy, the separation of branches of power, whereas autocratic consolidation—which we elabore in Part 4.4.3.2—requires the disabling of the second defensive mechanism, the autonomy of civil society (Table 4.13).

Table 4.13. Different levels of autocratic change.

	The leading political elite successfully disables…	
	First defensive mechanism (separation of branches of power)	**Second defensive mechanism** (autonomy of civil society)
Autocratic attempt	–	–
Autocratic breakthrough	X	–
Autocratic consolidation	X	X

4.4.2. Patronal Democracy: Separation of Networks of Power and Color Revolutions

4.4.2.1. The dynamic equilibrium of competing patronal networks

In liberal democracies, autocratic tendencies—as presented above—necessitate an autocrat or a party that disregards democratic norms and challenges constitutionalism on the grounds of populism. Indeed, this challenger is not necessarily patronal but can also follow the principle of ideology implementation, in which case we can speak about a **conservative autocratic attempt** or breakthrough (like in Poland).[327] However, not without reason did we talk about autocratic tendencies with regard to patronal autocrats, because in the post-communist region what typically destabilizes liberal democracy is **a democratic party system with a patronal challenger**. In Part 4.3.2.4, we stated that the party system that fits to liberal democracies' ideal typical, self-sustaining operation is either a competing party system or a two-party system. Thus, the emergence of a **patronal challenger** as the largest opposition party **is an anomaly**. While the other parties are democratic and subordinated to the principle of societal interest, the patronal challenger runs a patron's party subordinated to the principle of elite interest. He uses the ideological framework of populism to gain votes and carry out a **patronal autocratic attempt** or breakthrough (like in Hungary).

In patronal democracies, however, **patronal challenge is not an anomaly but a norm**. As we explained in Chapter 1, the stubborn structures of pre-communist and communist times have thrived in the post-communist era, especially in countries that carried a strong patronal legacy. In some of these countries, like Albania, Bulgaria, Georgia, Moldova, Romania and Ukraine,[328] after the unifying political lid of communist dictator-

[327] Magyar, "Parallel System Narratives," 637–43.

[328] Modelling Russia's regime trajectory, we treat the country in the 1990s as a patronal democracy as well, although it clearly deviates from the ideal type in having a failed state as well as oligarchic anarchy [→ 7.3.5.5].

ships was removed, competing patronal networks emerged, with oligarchs and poligarchs entering the political playing field through patron's parties. This creates what we called a **multi patronal network system**, where party competition is the façade appearance of the competition of patronal networks. There may be democratic parties on the fringes of a multi network system, but the main field of competition is populated by **patron's parties**.[329] In such parties, we cannot see the minimum of intra-party democracy mentioned above [→ 4.3.4.4] because what maintains and finances the party is indeed an informal patronal network, making the party—and its members—a vassal party [→ 3.3.7]. The top patron of this network is typically either the party leader or the top candidate. While in liberal democracies it is common for party leaderships to resign after an electoral loss, this rarely happens in a patronal democracy with patron's parties. In cases of such parties it is the head of the party, the top patron, who actually defines the party and not the other way around.

In a patronal democracy, every patron's party runs on the principle of elite interest and **all of them are patronal challengers**, meaning they strive to establish their dominance and a single-pyramid patronal network, eliminating or subjugating their competitors and therefore turning a patronal democracy into a patronal autocracy. Thus, in such systems autocratic attempts are constant and every major actor wants to disrupt democracy for their own benefit. Yet patronal democracy remains stable. Indeed, the essence of this regime is **the dynamic equilibrium of competing patronal networks**.[330] It is "dynamic," as there are always attempts at breaking it by patronal networks that want to institute patronal autocracy, but it is also an "equilibrium," as no patronal network succeeds and can get into a dominant, monopolistic position. Indeed, this can be interpreted as the patronal version of Madison's factionalism where ambition counteracts ambition. While every major actor wants to disrupt the system, none of them has enough (political and economic) resources to do so and each informal patronal network has just enough resource to stop the others from doing so. To take one example, in Romania had either Traian Băsescu or Victor Ponta got the monopoly of political power, they would have made an autocratic breakthrough and instituted patronal autocracy. They just never had a chance.[331]

The result of the dynamic equilibrium is that **the system can retain some democratic features** (hence it still qualifies as a "democracy"). In particular, in a patronal democracy:

- **there is still a separation of branches of power**, insofar as the leading political elite does not have the monopoly of political power to carry out a constitutional coup and eliminate it;

[329] Indeed, parties which can access considerable state resources are almost always patron's parties. The image of purity and non-corrupt nature of other (opposition) parties only follows from the fact that they have not had access to state resources yet.

[330] Cf. Minakov, "Republic of Clans."

[331] Magyari, "The Romanian Patronal System of Public Corruption," 288–96. Also, we should mention the possibility of political cartels. It is quite imaginable that the networks, realizing they cannot break through, try to cooperate and divide up the corrupt revenues they can collect via the state. In Hungary, for instance, investigative journalists and politicians spoke about "70–30" distribution of state revenues between the current government and opposition, respectively (before 2010). Indeed, political cartels resemble a kind of "inverse water polo," where the players hit each other on the surface while they are sportsmanlike below it.

- **there is still public deliberation**, as the competing patronal networks use parties that take part in campaigns and elections, trying to convince more and more people to vote for their rule;
- **civil society still has some autonomy**, as no patronal network is dominant, oligarchs and communal actors can remain autonomous, maintaining equal distance from, or equally good relations with, both sides [→ 3.4.1.3];
- **the rule of law still prevails,** as (1) equality before the law is given in patronal regimes and (2) no patronal network has the power to introduce inequality after the law with politically selective law enforcement (although—as we mentioned above—a politically proportionate law enforcement can emerge, not because of external intervention but the enforcers' desire to keep up their image of impartiality).

Because of these features patronal democracies **often seem almost like liberal democracies**. Indeed, party competition and relatively frequent changes of government create the image of pluralism, whereas civil actors like the media can criticize the government and side with the opposition (as well as the incumbents). If we move only on the democracy-dictatorship axis, as mainstream hybridology does, such regimes certainly qualify as democracies.[332] However, the attitude of the media is not like liberal democracies' "political parallelism," and the character of **competition is vastly different** from Western-type pluralism, too. For patronal democracies are characterized by **competing patronal pyramids with their own groups of subjugated private actors**, from top-down directed "talking heads" to inner circle and adopted oligarchs who have more say in the operation of their respective adopted political family. Patronalization does take place in these regimes and the four autonomies of civil society are deeply invaded. But while in a patronal autocracy this is done by a single-pyramid patronal network in a monopolistic fashion, in a patronal democracy there are more centers of patronal subjugation. Indeed, **it is the competition of patronal networks where only the top patrons are free that can be mistaken for vibrant public deliberation of a free society**. As far as really autonomous private actors like autonomous oligarchs [→ 3.4.1.3] are concerned, their room for maneuver narrows and only a handful of sectors in the polity are reserved for those who do not pick a side.

To sum up, **patronal democracy is characterized by an inherent disharmony** between the institutional system and the character of major political actors. A liberal democracy is harmonic because there non-patronal institutions are matched with non-patronal political actors, and disharmony is introduced when an autocratic challenger shows up. A patronal autocracy is also harmonic but in the inverse way: patronal institutions are matched by patronal political actors, who have successfully built an autocratic rule in their polity. In a patronal democracy, **patronal political actors operate in a non-patronal institutional system**. There is a lack of separation of the spheres of social action, not in a monopolistic way but in the form of competing informal patronal networks, whereas the institutional system is formally democratic and it nominally presumes the democratic

[332] See the description of Slovakia and Romania in Levitsky and Way, *Competitive Authoritarianism*, 91–104. Also, Kyrgyzstan had been described as Central Asia's "island of democracy" before the Tulip Revolution of 2005. Anderson, *Kyrgyzstan*.

nature of political actors. Indeed, we also could express the disharmony as follows: The limitations on the leaders' power and public deliberation have already been eliminated within the competing patron's parties, whereas on a national level both of these mechanisms still exist. This means a constant gravitation toward eliminating the nation-level defensive mechanisms as well, to be able to elevate the network's elite interest on the level of national policy. Indeed, **the aim of informal patronal networks is none other than harmony—not toward liberal democracy but patronal autocracy**.

4.4.2.2. Institutional defensive mechanisms: divided executive and proportionate electoral system

Patronal democracies are similar in terms of the inherent culture-based pressure that tries to break them down into patronal autocracies. They **are different**, however, **in their defensive mechanisms**, meaning the ways they manage to evade their inherent disruptive tendencies. Enumerating the possibilities, there are two groups of ways:[333]

1. the first line of defensive mechanisms is comprised of **institutional boundaries**, meaning **the constitutional setting** which **may prevent autocratic breakthroughs** by defining how much power one can get in an election and how difficult it is to gain enough power to change the setting itself;
2. in case institutional boundaries do not hold and/or the ruling patronal network carries out an autocratic attempt or breakthrough, the second line of defense comes in **to prevent autocratic consolidation**. This is none other than a **societal defensive mechanisms**: the upsurge of societal resistance, combining the democratic discontent of the people, on the one hand, and the patronal discontent of the to-be-suppressed informal networks, on the other (so-called **"color revolutions"**).

As the analysis of color revolutions has been a central topic of the literature on post-communism,[334] we devote a whole separate part to them immediately after this one. Also, with respect to patronal democracies, we speak only about successful color revolutions, as the unsuccessful cases took place in patronal autocracies and followed different dynamics than what we present in the following part. (Also, unsuccessful ones are discussed in Part 4.4.3.1.)

Now, we analyze the first line of defense, institutional boundaries. In general, we can say that the stronger the institutional boundaries or **the more difficult to achieve the monopoly of political power, the more likely a patronal democracy will survive**, whereas if the monopoly of political power is easier to attain the regime is prone to change into a patronal autocracy. To outline the effects of various institutional settings on patronalism

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333 Indeed, there is also a third factor that we mentioned in Chapter 1: Western linkage and leverage, mainly from the side of the EU. However, now we are focusing on regime-specific defensive mechanisms, that is, institutional constellations that create such endogenous dynamics that make the regime self-sustaining. External—and indeed not regime but country-specific—defenses in form of international alliances are elaborated in Chapter 7 [→ 7.4.5].

334 For example, see the six studies on color revolutions in the January 2009 issue of *Journal of Democracy*. "Debating the Color Revolutions [Special Section]."

more precisely, we rely heavily on Hale, who coined the term "patronal democracy" and analyzed the dynamics of patronal politics in post-Soviet countries.[335] He categorizes constitutional settings as follows:[336]

- **presidentialist constitutions**, which formally stipulate a directly elected president as the most important source of executive power;
- **parliamentarist constitutions**, which give an elected parliament the exclusive right to select the holders of significant executive power directly;
- **divided-executive constitutions**, which formally enshrine a balance between parliamentary and presidential power, assigning formally independent and roughly counterbalancing executive authority to each (the prime minister is chosen by the parliament without significant formal dependence on the president for nomination, appointment, or staying in office).

As it can be observed, **the president** is an important figure of executive power in both presidentialist and divided-executive settings (whereas in parliamentarist systems he is relegated to a more ceremonial role).[337] The main difference between the two is that in a presidentialist system "the presidency is an indivisible good, meaning that only one patron can occupy it."[338] This means that the executive power is centralized in the hands of the president, whereas there are no similarly strong positions in the polity in terms of political power. In contrast, **in divided-executive systems** where the president and the parliament both have executive powers and they are elected in different elections, **cohabitation** is possible, that is, the situation when the two executive positions—the president and the prime minister—are filled by patrons from two different patronal networks. The share of executive power hinders any one of them from becoming the dominant (chief) patron of the polity, whereas cohabitation **offers more institutional possibilities for competing patronal networks to keep each other in check**, in contrast to the purely presidentialist setup. Furthermore, as Hale explains, such systems also have an important signaling effect for societal actors in deciding the head of which adopted political family is indeed dominant (see Box 4.8). In a presidentialist system, the situation is made obvious as one of the top patrons becomes the head of executive, after which (1) societal actors (oligarchs etc.) begin to gravitate toward him, defecting from their current network and requesting adoption to the presidential network, thus increasing its informal power, and (2) this greater informal power can be used to strengthen the executive formally at the expense of the other branches of power, gradually realizing an autocratic breakthrough. In the end, "[as] coordination dynamics play themselves out […], the presidential patron can construct a system in which she dominates the polity by virtue of both formal and informal authority—usually in tight combination. Alternative 'pryamids' […] generally face one of the following fates: liquidation […]; co-opta-

[335] Hale, *Patronal Politics*.

[336] Hale, *Patronal Politics,* 77–78.

[337] Hale, *Patronal Politics,* 372.

[338] Hale, *Patronal Politics,* 79.

tion into the larger pyramid; or operating at the margins of the system."[339] Therefore, presidentialist constitutions create a favorable situation to autocratic breakthrough as well as the development of a single-pyramid network, whereas divided executives create a more ambiguous situation, where neither institutional centralization nor the weight loss of alternative societal networks needs to begin.

In both presidentialist and divided-executive systems, the presence of **term limits** represents a peculiar challenge to autocratic breakthrough as well as autocratic consolidation. Initially, most constitutions with a strong presidential office prescribe a two-term limit, after which the president cannot run for the office again. Until the term limits are in effect, "**they not only suggest that the president may leave (disrupting presidentalist consitutions' information effect), but crucially pinpoint a time when this would happen (disrupting the focal effect of presidentialist constitutions** […]). Formal presidential term limits can thus serve as focal points around which elites coordinate their expectations as to when precisely an unpopular, ill, aging, weary, or otherwise faltering president is most likely (a) to leave office voluntarily, (b) to be most vulnerable to ousters by other elites, and/or (c) to face other elites' attempts to oust him" (emphasis added).[340] Indeed, this situation marks **a shift of legitimacy from the chief patron to the opposition**. For now it is the chief patron who is forced to perform some legal "trick" to stay in office, bridging the gap between the *de jure* institutions of legitimacy and his *de facto* position, whereas his opposition can rightly point out this very gap and that the chief patron tries to stay in power by breaking the legal framework. In more consolidated patronal autocracies, the problem of term limits is often dealt with by referenda, like in Azerbaijan, Belarus, and Russia [→ 4.3.3.3].

Box 4.8. The effects of constitutions on patronalism.

"Just as elections have distinct meanings in highly patronalistic contexts, so too do constitutions play roles different from those they are widely understood to play in the West, even when on paper they look identical. […] In highly patronalistic societies […], constitutions can sometimes have their most power effects not by being formally observed, but instead by influencing expectations regarding how informal (nonconstitutional) politics is organized. Perhaps most importantly, they can shape the expectations of political elites as to who will *informally* (really) be the chief patron or patrons in the polity—even when the actual formalities of the constitution are regularly violated. […] A presidentialist constitution's information and focal effects […] can resolve the coordination problem for elites in generating a collective decision as to which of two otherwise equal patrons should be treated as the most powerful and hence accorded deference. […] Where presidentialist constitutions tend to encourage single-pyramid arrangements of patronal networks […], divided-executive constitutions complicate them and in fact promote network coordination in competing-pyramid arrangements […]. Moverover, the divided-executive constitution provides [beyond the president] a specific *alternative* focal point (the prime minister) around which patronalistic actors can coordinate, should they not be satisfied with any 'deal' offered by the presidential network."

– Henry E. Hale, *Patronal Politics—Eurasian Regime Dynamics in Comparative Perspective* (Cambridge: Cambridge University Press, 2015), 76–80.

In patronal democracies with parliamentarist constitutions, the executive power is vested in the prime minister, who needs to win a popular election alongside his party members (who become MPs). Whether he can carry out an autocratic breakthrough in favor of his network depends on whether he can attain a **supermajority**. Should the future chief patron's party attain a supermajority (also known as qualified majority, typically either two-thirds or three-fifths), he gets the power to single-handedly change the constitution, to strengthen the executive and to concentrate all powers of the state in his hands, and also to grant himself the right to appoint the heads of institutions which would serve as checks and balances. Indeed, a supermajority is needed not only in purely parliamentarist systems

339 Hale, *Patronal Politics,* 79–80.

340 Hale, *Patronal Politics,* 88–89.

but also in so-called **semi-presidential systems**, like Russia, where there is a formal split between the powers of the president and the parliament.

The difficulty of attaining a supermajority depends on what share of voters he needs to convince—the lesser the share, the easier it is. Therefore, in this respect the crucial institutional factor is **the proportionality of the electoral system**. Majoritarian systems, designed precisely with the aim of stable government in a democracy, give a larger share of seats in the legislature to the winner than his share of votes; in proportionate systems, which aim at a legislature mirroring social preferences more faithfully, the share of seats and votes are roughly equal (considering thresholds, rounding etc.).[341] Normally, it is the latter type that is highly unlikely to be overcome by a single political actor acquiring a supermajority. However, if the electoral system is disproportionate, a monopoly on political power may come about even in a parliamentary system, as it happened in Hungary in 2010.

Some patronal democracies remain stable because of mainly one institutional constraint. For example, a divided executive has been an effective constraint in Bulgaria, where patronal democracy prevails and no single-pyramid has been established yet. Whereas in the parliamentary regimes of Albania and Slovakia proportionate electoral systems have been instrumental in preventing and/or breaking autocratic attempts (like that of Vladimír Mečiar in Slovakia in the late 1990s).[342] Yet the importance of proportionate electoral systems can be seen in semi-presidential regimes like Romania, where the powers of the president have been counterbalanced by those of the proportionally elected parliament [→ 7.3.2.3].

4.4.2.3. Societal defensive mechanism: successful color revolutions stopping autocratic attempts and resetting patronal democracy

In spite of institutional defenses, autocratic tendencies (attempts) in patronal democracies are regular and indeed ideal typical. Every informal patronal network wants to accumulate power and personal wealth, and they exploit all of their access to political resources to serve this elite interest. The aim of autocratic tendencies is to eliminate the regime's democratic qualities: to extend the power of the executive to the entirety of the state (connecting branches of power) and to neutralize public deliberation to ensure that the ruling patronal network will stay in power. In an autocratic breakthrough, **the monopoly of political power would open up a wide range of highly sophisticated methods** for the latter, from creating a dominated sphere of communication (economic manipulation) through non-balancing of rights (legal manipulation) to one-sided changing of the electoral system (constitutional manipulation). However, **without the monopoly of political power** the leaders can use state resources and pass laws to tilt the playing field toward themselves but they cannot change every law to keep the playing field as uneven as necessary to prevent the opposition from winning [→ 3.3.9]. Therefore, they are tempted to use a more direct and unsophisticated, but nevertheless effective, technique: **electoral fraud**. In other words, if the leaders cannot neutralize the opposition, the option that remains for them is to disable the public deliberation process manually in the electing phase, not allowing the voters' will to manifest in replacing incumbents with another formation of political actors.

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341 Sartori, *Comparative Constitutional Engineering*, 3–14.

342 Hale, *Patronal Politics*, 460–63.

While an electoral fraud temporarily solves the problem of staying in power, it does not eliminate the autonomy of competing patronal networks and indeed causes a rather spectacular breakdown which spurs social action [→ 4.3.2.1]. In such situations in the post-communist region so-called **color revolutions** have sometimes occurred, and **have often been able to break autocratic attempts and push their polity back to patronal democracies' dynamic equilibrium state**.

We use the term "color revolution" mainly because of its familiarity, that is, the fact that these events are commonly referred to as such and therefore the readers should find the topic of the discussion more straightforward.[343] However, we do recognize that these events are different from **classical revolutions**.[344] For classical revolutions that took place in the West in the 18–19th centuries were against feudal systems, where **monarchs relied on numinous legitimacy** and their *de facto* and *de jure* status coincided. Revolutions broke out to **change this pattern of legitimation to another pattern, that of civil legitimacy**, where *de facto* and *de jure* status once again coincided. The aim of the classical revolutionaries was to attain such achievements as equality before the law, joint share of tax burdens, and legislative elections.[345] Therefore, they indeed aimed at creating an institutional framework founded upon civil legitimacy.

Revolutions with such aims of legitimacy-pattern change **moved on a scale from being violent**—where not only the legitimacy-pattern was changed but legal continuity was broken and the former leaders were expelled from political life (often killed or exiled, like in the French Revolution of 1789)—**to being peaceful**—involving negotiations with the leaders who agreed to change their regime and its institutional setting without breaking legal continuity. The post-communist **regime changes** or the so-called **lawful revolutions of 1989**[346] belonged, with few exceptions, to the latter category. Initially, they faced communist dictatorships, that is, systems with substantive-rational legitimacy and the coincidence of *de jure* and *de facto* status of the leading political elite (the "vanguard" of the society, as expressed in the constitution [→ 4.3.4.2]). Regime-changers wanted to change this pattern to the pattern of liberal democracy, characterized by legal-rational legitimacy and—once again—the coincidence of *de jure* and *de facto* status of the leading political elite. Whether this indeed happened depended on the status of stubborn structures, or more precisely whether the constitutional revolution was accompanied with an **anti-patronal transformation** [→ 7.3.4.1].[347] In several countries, it did happen and there Western-type liberal democracies could develop (in countries like Estonia and Poland), but in other countries anti-patronal transformation **did not happen and patronal democracies emerged**. Then, autocratic attempts became an integral part of the political life and the institutional boundaries set up during the regime change had a big role in whether these systems avoided autocracy or eventually became one (like Hungary).

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[343] Cf. Gerring, "What Makes a Concept Good?," 368–70.

[344] Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 27–29.

[345] Tilly, *European Revolutions*.

[346] Király and Bozóki, *Lawful Revolution in Hungary, 1989–94*.

[347] We borrow this expression from Hale. Hale, "Russian Patronal Politics Beyond Putin," 37.

Post-Soviet color revolutions are not classical revolutions as they do not want to switch from one coherent legitimacy pattern to another.[348] Indeed, they are better be identified as **revolts: they aim at preserving the initial, coherent legitimacy pattern of democracy**, characterized by—even in a patronal democracy—the rule of law as well as the coincidence of *de jure* and *de facto* status of the leaders. In other words, color revolutions try to stop the leaders from *de facto* disregarding their *de jure* limitations and the constitutional order, which they attempt to do in patronalizing state institutions and falsifying elections. It is also worth emphasizing that color revolutions are largely peaceful in terms of non-violent removal of autocratic leaders (see below).

The typical process of successful color revolutions goes by the following steps:[349]

1. the ruling patronal network creates a breakdown of the public deliberation process (typically **electoral fraud**) to cement its position;
2. electoral fraud **triggers mass legitimacy-questioning protests**, aiming at rerunning the elections or at recognizing the victory of the opposition (also the resignation of the current government);
3. legitimacy-questioning protests get **supported by external actors** such as foreign NGOs, foundations, governments or international alliances (EU etc.);
4. both the formal and informal support of the government melts in the domestic and the international political arena, until their room for maneuver shrinks to the point that they cannot operate and **the leaders are forced to meet the demands of the revolutionaries**.

Step 4 is formulated rather vaguely, and indeed, if we look through the various color revolutions, we can find that it happened in different forms every time. **The Rose Revolution in Georgia** late in 2003 was the first post-Soviet color revolution, breaking out after the electoral victory of president Eduard Shevardnadze was announced before the votes were properly counted. Two days after large-scale legitimacy-questioning protests started in Tbilisi, opposition leader Mikheil Saakashvili and his supporters stormed the parliament building. Shevardnadze was evacuated and soon resigned, leaving the country for Moscow. Saakashvili won the re-run elections in 2004 with 96% of the vote.[350] **Ukraine's Orange Revolution** a year later followed a different trajectory. Over 1.5 million people demonstrated at Maidan Square in the center of Kiev, protesting the close but apparently fraudulent victory of Viktor Yanukovich, president Leonid Kuchma's candidate. The Orange Revolution succeeded when the Supreme Court ruled that new elections would be held, which were won by Viktor Yushchenko, who was inaugurated in early 2005.[351] **The Tulip Revolution in Kyrgyzstan**

348 Color revolutions outside the post-communist region, including those in the Arab Spring, are arguably closer to our understanding of classical revolutions (irrespective of their success or failure). For an overview, see "Tracking the 'Arab Spring' [Special Section]."

349 Gerlach, *Color Revolutions in Eurasia*, 33.

350 Gerlach, *Color Revolutions in Eurasia*, 6–9.

351 Gerlach, *Color Revolutions in Eurasia*, 9–12.

in 2005 showed a third variant. Following the patronalization of several state institutions and economic sectors by Askar Akaev's adopted political family, elections were held where several leading opposition figures either underperformed or lost their parliamentary seats. The opposition installed "people's governors" in several strategically important cities, and one day after the opening session of the parliament, protesters stormed the presidential office building and seized the state TV station. The events forced Akaev to resign and escape to Moscow in a matter of weeks. Two symbolic figures of the revolution, Felix Kulov and Kurmanbek Bakiev were elected prime minister and president, respectively.[352]

There have been two successful color revolutions that did not follow electoral fraud but other kinds of attempts to solidify one top patron's rule and break the competition of patronal networks. The first one was **Euromaidan Revolution in Ukraine** in 2014, happening four years after Yanukovich had won the presidency and moved Ukraine closer to patronal autocracy than ever.[353] The event that triggered legitimacy-questioning protests was his refusal to sign an Association Agreement with the EU, which meant an open rejection of the EU's sphere of influence for that of Russia—that is, the rejection of democratization requirements for a larger room to maneuver for stabilizing patronal autocracy [→ 7.4.4]. At the turn of 2013–14, large and eventually violent demonstrations broke out on Maidan Square; the police killed over a hundred people and more than a thousand were injured. Deadly political violence led to defection of key supporters of Yanukovich, who fled the country for Russia. The revolutionaries managed to change the constitution from a presidentialist to a divided-executive system and a leading figure of the revolution, Petro Poroshenko, was elected president.[354] The second color revolution that did not happen after an election was the **Velvet Revolution in Armenia**, taking place in 2018. Similar to Yanukovich's Ukraine, Armenia was also close to a patronal autocracy at the time of the revolution. However, by then the country had had a single-pyramid patronal network for two decades, being able to withstand several revolution attempts (most notably in 2004 and 2008)[355] but not being strong enough to carry out an autocratic consolidation. Indeed, while the same patronal network gave two presidents to the country between 1998 and 2018, a proportionate electoral system allowed for a relatively strong opposition in the parliament and the leading network had to form a coalition, too, to have a majority and ensure the position of the prime minister. Other patronal networks were more like allies than strict subordinates to the dominant network, whereas the opposition could mobilize civil society by 2018.[356] The event that triggered the color revolution was chief patron Serzh Sarkisian's attempt to sidestep a two-term limit by moving from president to prime minister, following a referendum that dramatically shifted power from the president's to the prime minister's office. After legitimacy-questioning protests actively utilizing social media, Sarkisian—showing the fragility of his single-pyramid system—agreed to a tele-

[352] Gerlach, *Color Revolutions in Eurasia*, 12–14.

[353] Hale, *Patronal Politics*, 342–50.

[354] Hale, *Patronal Politics*, 234–38.

[355] Gerlach, *Color Revolutions in Eurasia*, 17–18.

[356] Hale, *Patronal Politics*, 354–63; Lanskoy and Suthers, "Armenia's Velvet Revolution."

vised debate with the leader of the opposition, Nikol Pashinian, which lasted less than two minutes after he refused to resign. Responding to the protests, Sarkisian had to decide whether to use violence against the people. He decided not to, eventually stepping down in favor of Pashinian.[357]

While several authors expected that such protests will eventually lead to Western-type liberal democracy,[358] they did not. Data gathered by Grigore Pop-Eleches and Graeme Robertson also confirm this, showing how the quality of democratic governance changed after revolution in Georgia, Ukraine and Kyrgyzstan (Figure 4.2). As they write, "Kyrgyzstan experienced no real governance boost after the Tulip Revolution, then embarked on a uniformly downward trajectory until Bakiyev's ouster from office in April 2010. Ukraine and Georgia occupied intermediate positions; on average (and in specific areas such as electoral process), the net change in governance scores under their 'color revolutionary' regimes was minimal."[359] Indeed, with the partial exception of Georgia [→ 7.3.4.5], the success of the color revolution was typically followed by the re-stabilization of earlier patronal competition and the (limited) patronal rule of the revolution's leading figure.[360]

In general, we can observe that **successful color revolutions do not lead to a liberal setting but only back to patronal democracy**. This is why we treat them as defensive mechanisms, given that they do not allow patronal autocrats to consolidate their power and carry out an autocratic breakthrough, eliminating the dynamic equilibrium of patronal democracy. The reason why these revolutions do not lead to liberal democracy is because **they are not accompanied by anti-patronal transformations**. Although revolutionary movements march under the slogans of democracy, transparency and anti-corruption, **behind the democratic endeavor of the masses one can find**, as organizing force and political as well as financial resource, **the discontent of the to-be suppressed patronal networks**. It is true, as Ukraine under Yanukovich showed, that without popular discontent stemming from a breakdown of public deliberation patronal networks are less able to counter autocratic tendencies. But the opposite is also true: without the resources of the competing patronal networks, popular discontent cannot stop the ruling autocrat from breaking "fair," democratic (patronal) competition. While Scott Radnitz is right to point out the correlation between the success of color revolutions and the level of privatization—which, as he writes, gave birth to a "new capitalist class" that could form an effective opposition[361]—he fails to recognize that these actors are not "capitalists" of a "class" but oligarchs of different adopted political families, and the country's resources are not in "private" hands but constitute a system of power&ownership [→ 5.5.3.5].[362] In fact, because of these factors, autocratic breakthroughs happen and they are reversed only to recreate

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[357] Lanskoy and Suthers, "Armenia's Velvet Revolution."

[358] Gerlach, *Color Revolutions in Eurasia*, 29–30; McFaul, "Transitions from Postcommunism."

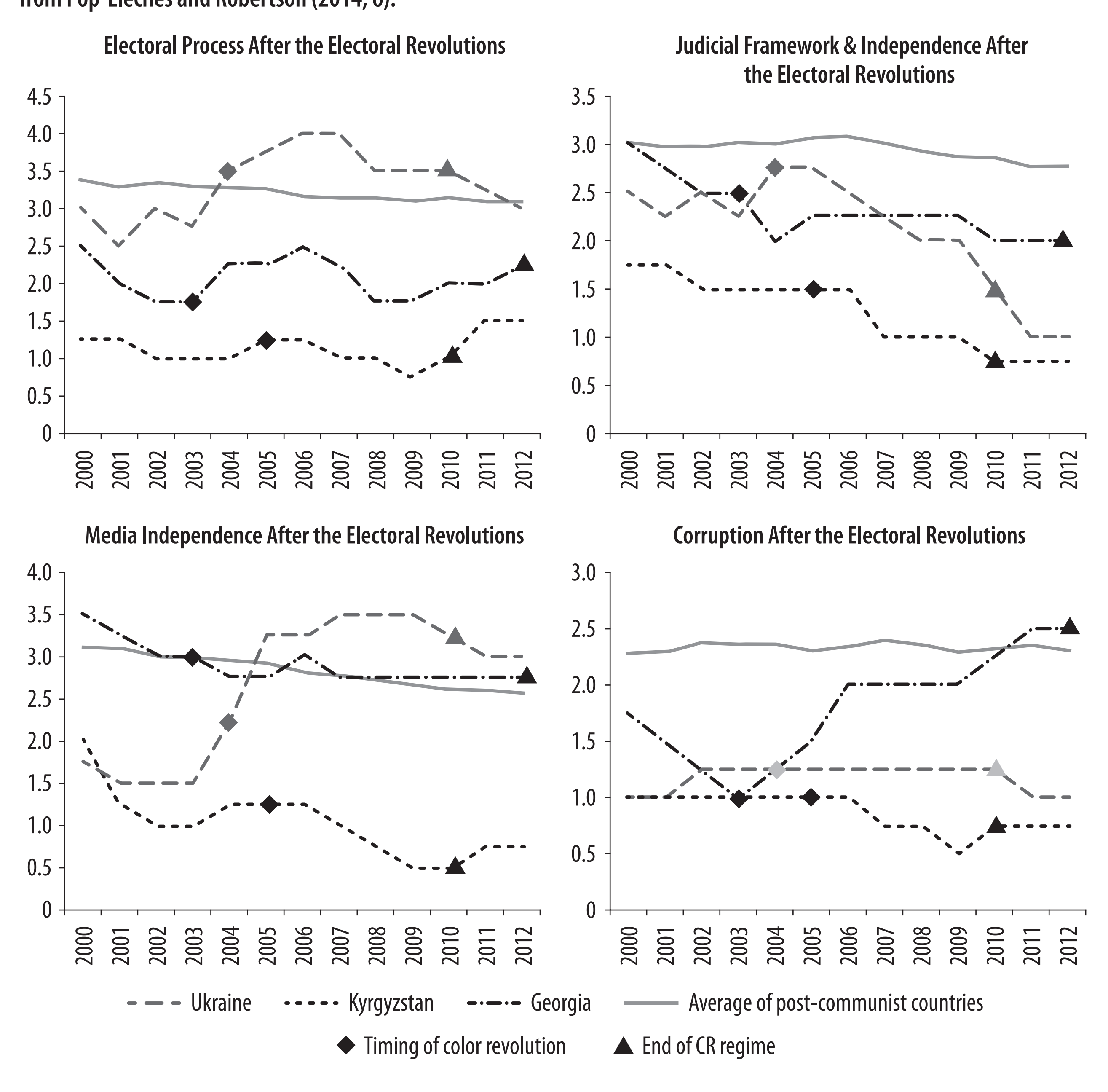
[359] Pop-Eleches and Robertson, "After the Revolution," 5. The authors also analyze Serbia, which did improve after revolution—because it did not happen in patronal democracy but replaced patronal autocracy with democracy. We return to Serbia in the next part.

[360] Hale, *Patronal Politics*, 311–50, 364–71.

[361] Radnitz, "The Color of Money."

[362] On Ukraine, see Minakov, "Republic of Clans."

Figure 4.2. Comparison of democratic governance in the color revolution countries. Source: modified from Pop-Eleches and Robertson (2014, 6).



patronal democracy under the limited rule of a new informal patronal network. Borrowing a term from Hale, this form of **regime cycle** is the most typical pathway of patronal democracies' dynamic equilibrium [→ 7.3.4.1].[363]

[363] Hale, *Patronal Politics*, 87–93.

4.4.3. Patronal Autocracy: Separation of Resources of Power and the Problem of Succession

4.4.3.1. Unsuccessful color revolutions: the monopolistic structure of consolidated patronal autocracies

After our description of successful color revolutions, it may be objected that we omitted Serbia's Bulldozer Revolution in 2000, which is often regarded as the first color revolution in Eurasia.[364] Indeed, that this event also succeeded seemingly contradicts our thesis that successful color revolutions happen only in patronal democracies, for Serbia under Slobodan Milošević was arguably closer to patronal autocracy.[365] However, it must not be forgotten that we speak about internal stability and defensive mechanisms. While we allow for external factors which connect to and reinforce preexisting internal processes, like democracy assistance and the support of opposition forces by the US,[366] we assume away exogenous shocks that overpower the regime's internal logic and therefore, as we mentioned in the beginning, can make even an otherwise self-sustaining regime collapse. In the case of Serbia, such exogenous shocks played an instrumental role. On the one hand, it is true that the country had been led for more than a decade by chief patron Milošević by 2000. But on the other hand, in that period the country faced the dissolution of Yugoslavia, bloody civil wars, ethnic conflicts, the war in Kosovo (with NATO's military engagement in 1999), as well as numerous political and economic sanctions.[367] While the importance of US-supported youth organizations and elite factions in seizing the opportunity is undeniable,[368] that an opportunity presented itself was largely due to factors external to the regime's internal political logic and beyond any normal economic or social fluctuation typical to stable polities [→ 7.4]. Therefore, our thesis that only a challenged patronal democracy's internal logic allows for successful color revolutions—moreover, that these are defensive mechanisms that lead back to patronal competition—is not rebutted by the success of the Bulldozer Revolution, because it was not the Serbian autocracy's internal logic or components that allowed its success.

In polities where the regime's internal political logic was not undermined by external factors, color revolutions against consolidated patronal autocracies have invariably led to failures. First, in **Azerbaijan** two years after Ilham Aliyev *de facto* inherited the presidency from his father, Heidar Aliev, opposition leaders united against him in the parliamentary elections and also tried, despite repressive laws and non-balancing of rights against the freedom of assembly, to gather masses on the streets of Baku. Police and the

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[364] Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 85–113.

[365] Hale, *Patronal Politics*, 463–65. Underlining the regime's informal patronal nature, Levitsky and Way report that in the early 1990s "Milošević reversed earlier privatizations and systematically appointed allies to head state, para-state, and even private enterprises. Through these proxy arrangements and other policy instruments, Milošević and his wife gained control of an estimated 85 percent of the economy." Levitsky and Way, *Competitive Authoritarianism*, 106.

[366] Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 21–26.

[367] Gerlach, *Color Revolutions in Eurasia*, 4.

[368] Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 100–105.

patron's secret service used massive force against them, whereas opposition leaders faced prosecution and eventually failed both to mobilize large crowds or to change the regime in any substantial way.[369] Second, 2006 saw **the Jeans Revolution of Belarus**, which is a more bureaucratic than informal patronal regime, as chief patron Lukashenko rather relies on the formal machinery of public institutions, running a "unique, rustic and provincial model of an underdeveloped mafia state."[370] Lukashenko changed the constitution to allow him to run for the office of president indefinitely, and when the opposition united against him for the elections and civic groups managed to build up a tent city in protest, law enforcement simply removed them and jailed several members of the opposition. One of the two leading opposition candidates, Aliaksandr Kazulin was sentenced to five years in prison.[371] Finally, in **Russia**, which is a paradigmatic case of patronal autocracy, large protests were gathered in Moscow after 2011's fraudulent elections. The masses were not mobilized by an opposition party but by certain individuals like Alexei Navalni and Boris Nemtsov (who was assassinated four years later). The regime's GONGO, Nashi organized pro-government rallies in response, and the opposition protesters were criminalized in the patronal media that dominated the Russian sphere of communication. Eventually, large-scale protests ceased, the regime tightened non-balancing of rights against unauthorized demonstrations [→ 4.3.2.1], and the adopted political family used kompromat to prosecute Navalni, who was sentenced to prison for embezzlement and fraud in 2013. Overall, the Russian attempt at carrying out a color revolution also ended in failure.[372]

What we can see from these cases is **the use of the arsenal of patronal autocracies against public deliberation**. Having defined the various institutions and techniques that such regimes use to neutralize public deliberation, we can use our concepts to analyze unsuccessful color revolutions and identify the techniques that the leaders used to stay in power. Indeed, while threats to regime stability in liberal and patronal democracies could be impeded by defending pluralism, in patronal autocracies they are impeded by oppressing pluralism. For **the threat is no longer that someone will strive to possess power exclusively but that a rival will strive to overthrow the exclusive possessor and/or introduce democracy** (most probably patronal democracy, due to the highly patronalistic nature of these societies).

Along the lines of this logic, we can indeed see that the essence of patronal autocracy is the symmetrical opposite of that of democracies:

- **the branches of power are connected in the hands of the chief patron**, who is therefore the monopolist of political power and disposes over the polity discretionally, using the instruments of public authority and stepping over constitutionalism at will in the name of substantive-rational legitimacy;
- **the regime features a single-pyramid patronal network**, meaning the chief patron's adopted political family is a monopolist of patronalism and competing patronal networks are eliminated, subjugated or neutralized;

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369 Gerlach, *Color Revolutions in Eurasia*, 19–20.

370 Rouda, "Is Belarus a Classic Post-Communist Mafia State?"

371 Gerlach, *Color Revolutions in Eurasia*, 20–22.

372 Gerlach, *Color Revolutions in Eurasia*, 22–24.

- **civil society is subjugated**, meaning its four autonomies are neutralized, that is, they can be retained only to a politically irrelevant extent, while most of the political, economic and communal resources are annexed by the adopted political family.

In short, we can summarize **the essence of patronal autocracy** as the **unconstrained, monopolistic rule of the chief patron, subordinated to the principle of elite interest**. Exclusive possession of political power and accumulation of personal wealth are carried out as the state is turned into a mafia state and run as the business venture of the adopted political family.

4.4.3.2. Defense against pressures from the outside: autocratic consolidation

Turning to the defensive mechanisms of patronal autocracies, we may start with the ones that **defend against pressures from outside the adopted political family**. "Outside" refers not to exogenous shocks like wars or economic crises, but such opposition pressures as electoral blocs and color revolutions. Indeed, the defense is guaranteed if the chief patron is able to achieve **autocratic consolidation**, which we mentioned in Table 4.13 and also in the previous part, using the term "consolidated" patronal autocracy.

In some cases, like Armenia, the chief patron successfully achieves an autocratic breakthrough and establishes a single-pyramid system, but he is unable to achieve autocratic consolidation and is eventually overthrown.[373] What autocratic consolidation necessitates is the **neutralization of** liberal democracy's second defensive mechanism, that is, **the autonomy of civil society**. **Without this, the regime remains vulnerable as there remain autonomies that can form an effective opposition**.[374] This is, in part, what Way analyzed as "pluralism by default," explaining that weak autocrats without enough political and economic control over the country are unable to sustain their rule, and democratic pluralism develops as the ruling elite—in our terms—degenerates into a multi-pyramid power network in the absence of a strong chief patron.[375]

Subjugated civil society can be achieved by breaking the four autonomies mentioned in Part 4.4.1.2. **The most important autonomy to break is that of the media**, for—as Kis points out—"the satisfactory state of the media is a prerequisite for the meaningful, informed, practice of all political rights."[376] Therefore, using the power of the state, the chief patron's first act regarding civil society must be a crackdown on the press, or—using our terminology—to push the sphere of communication from the vicinity of the "open" ideal type to that of the "dominated" one [→ 4.3.1]. This already neutralizes public deliberation as opposition actors are crowded out from discussing and the sphere of communication, whereas the leaders can use patronal media (state as well as private, in the hands of loyal oligarchs) to monopolize the floor in political debates.

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373 "Good News from the Caucasus?"

374 For the case of Armenia, see Lanskoy and Suthers, "Armenia's Velvet Revolution."

375 Way, *Pluralism by Default*.

376 Kis, "Demokráciából autokráciába" [From democracy to autocracy], 59.

Second, **the autonomy of entrepreneurs** needs to be broken to narrow further the chances of a future opposition. On the one hand, the chief patron can make enterpreneurs interested in sustaining the system by making them clients, subcontractors and "court purveyors" of the adopted political family [→ 6.2.2.2]. On the other hand, opposition-inclined enterpreneurs and oligarchs can be deprived of their financial resources, or forced to funnel monies and property to the adopted political family instead. This is carried out primarily by the means of discretional state intervention: an entrepreneur who sides with the opposition must risk being excluded from state contracts and/or being exposed to tax inspections, fines, or even to centrally-led corporate raiding [→ 5.5.4].

Third, **neutralizing NGOs** and starting GONGOs is important both to ease watchdog control and for propaganda purposes [→ 3.5.2]. Let us quote a structured analysis by Ádám C. Nagy, who wrote about the taming of NGOs in Hungary in a volume of studies edited by one of the present authors: "The mafia state employs **a multistep domestication methodology**. Its first step is the **centralization of funding** and its control by a procurator. This move is 'successful' with the majority of civil groups since they are primarily invested in realizing a given organizational goal rather than taking a political stand. Therefore, in accepting the procurator's response—funding or the promise of it in case of wait lists—they would not voice their discontent with this operational system. If the constrained funding does not suffice to reach its goal, the state deploys the media by, for instance, **subjecting the oppositionally oriented civil society actors to communicational pressure**. On this level all but those organizations would persist which, of the threefold task of civil society (participation, service, and control) would advocate the ethos of curbing the state's dominance. Should the communicational pressure prove ineffective, the state will **employ coercive means** in order to enforce the government's will. While the first method has been used more than a few times in the context of Hungary's incompletely realized democratic model [after the regime change], the second method's application has been almost unprecedented. Finally, the deployment of central authority reveals how an unequivocally non-democratic system works" (emphasis added).[377]

Finally, **the autonomy of the citizens** is broken *en masse* by transforming them into servants or clients through what we call "societal patronalization" in Chapter 6 [→ 6.2]. At this point, we invoke Hirschman's voice-exit-loyalty triad[378] and say that the key to restrain the people is to use the instruments of public authority, gained in autocratic breakthrough, to **turn potential voice into coerced loyalty**. A patronal autocracy differs from a communist dictatorship by letting people exit from the regime, which actually contributes to stability by the "voluntary exile" of dissatisfied people [→ 6.2.2.1]. However, it must break the remaning people's autonomous capacity of voice, which could manifest—as in a liberal democracy—by free citizens engaging in political action by their preferences, expressing their opinion and supporting the political actors they please. On the one hand, this capacity is limited by neutralizing the discussing, associating and electing phases of public deliberation [→ 4.3.1–3]. On the other hand, **people can be sanctioned** for using their voice. This may take a variety of forms, such as the threat of being fired from one's job and various "black lists" in state companies, excluding people with inappropriate political

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377 Nagy C., "The Taming of Civil Society," 573.

378 Cf. Hirschman, *Exit, Voice, and Loyalty*.

background from access to resources controlled by the adopted political family.[379] The most radical means, however, is probably **politically selective law enforcement**. For it allows (1) persecution of important opposition figures, party leaders and movement organizers, and (2) unscrupulous discrimination on a political basis, so that people with legally valid complaints against discrimination can be dismissed [→ 4.3.5]. Indeed, selective law enforcement is **an important tool in neutralizing any autonomy** as it can be used against any actor or institution, be it media, an oligarch/entrepreneur, an NGO, or an ordinary citizen. And the *de facto* suspension of normative law does not have to be done *en masse*: it is enough to sanction a few people in a spectacular, demonstrative fashion, which then will have a negative signaling effect of demobilizing the wider population [→ 4.3.2.1].

While autocratic consolidation is a complex process and there exists no direct measure of it, **data from democracy indices like the Rule of Law Index** of **World Justice Project (WJP)** allow us to draw some related conclusions.[380] We chose twelve post-communist countries, the ones we will use for illustrating the variety of regime trajectories in Chapter 7 [→ 7.3]. These countries are ordered by three aspects measured by WJP: **(1) constraints on government powers**, which measures whether government powers are effectively limited by the legislature, judiciary, independent auditing and review and other institutions of the rule of law; and **(2) freedom of civil justice from improper government influence**, which is a sub-aspect that measures whether the civil justice system is free of improper government or political influence; and **(3) fundamental rights**, which measures the effective guarantees of the due process of law, as well as of the freedom of opinion & expression, belief & religion, assembly, and so on. These aspects allow us to assess autocratic consolidation: low constraints on government indicate autocratic breakthrough in countries with multi-party elections (that is, which are not outright dictatorships); improper government influence in civil justice denotes politically selective law enforcement; and the respect of fundamental rights is a good approximate measure for the autonomy of citizens, which is a necessary base of a strong civil society.

First, Table 4.14 shows the twelve countries by the first two aspects. After China, which is a dictatorship, the next four countries with the fewest constraints on government are **Russia, Hungary, Kazakhstan, and Moldova**, in that order. These are the four countries out of the twelve where **autocratic breakthroughs have been carried out**, with different degrees of consolidation as of 2017–2018 (when the data were recorded). The fact of autocratic breakthrough can be seen in Table 4.14, not only because these countries have few constraints on government but also because **they feature the most improper government influence in civil justice** among multi-party regimes in the sample. The only patronal democracy in their category is Ukraine, a country characterized by intense patronal competition and constant—unsuccessful—autocratic attempts by the current leading adopted political family [→ 7.3.4.2]. In Romania, which is also a patronal democracy but with less forceful autocratic attempts, civil justice is also less controlled by politics, and prosecution actually shows a politically proportionate character instead of political selectivity [→ 4.3.5.1, 7.3.2.3]. At the other end of the scale, we can observe Estonia and the

[379] "Political Discrimination in Hungary."

[380] WJP, "Rule of Law Index 2019." We are indebted to Márton Kozák for his suggestions with respect to WJP's index.

Table 4.14. Twelve post-communist countries by constraints on government and improper government influence in civil justice. Autocracies in bold. The countries within each cell are in decreasing order by constraints on government. Source: WJP (2019).

		Improper government influence in civil justice (1: perfectly free of influence; 0: perfectly hand-guided)			
		0.73–0.89	**0.56–0.72**	**0.39–0.55**	**0.22–0.38**
Constraints on government powers (1: perfectly constrained; 0: perfectly unconstrained)	**0.73–0.89**	Estonia, Czech Republic			
	0.56–0.72		Romania	Georgia, Poland	
	0.39–0.55			North Macedonia	Ukraine, **Moldova***, **Kazakhstan**, **Hungary**
	0.22–0.38				**Russia**, China

* Data collected in 2017.

Czech Republic, where strong democratic foundations and institutions guarantee the least improper government influence in the sample. (Although there has been a patronalization attempt in the Czech Republic since 2013 [→ 7.3.3.3], and some reports indicate sporadic instances of improper government influence in civil justice.)[381]

The potential for politically selective law enforcement in the four autocracies means that the countries' chief patrons have obtained the most useful tool to achieve autocratic consolidation. However, **they have managed to consolidate to different degrees** as of 2018. This is revealed by Table 4.15, showing constraints on government against fundamental rights. Obviously, in no patronal autocracy are fundamental rights as ignored as in the Chinese dictatorship (scoring 0.32 out of 1), but they are far—from the other side—from liberal democracies like Estonia (0.83) and the Czech Republic (0.78) as well. The data indicate that, among patronal autocracies, the autonomy of citizens is most broken in Russia (0.45), followed by Kazakhstan (0.46), Moldova (0.54) and Hungary (0.58). While the previous table indicated autocratic breakthrough, this table reveals that **Russia is the most and Hungary is the least consolidated in the group**. Again, this measure is a proxy, and the complex process of autocratic consolidation should be measured by taking into account all four autonomies in a more focused manner. Yet one piece of evidence to corroborate our conclusion is **the level of electoral violence** in the respective countries. Scholars use "electoral violence" as an umbrella term for harassment of the opposition, riots and protests after the elections, use of violence during protests, and other violent events around elections that involve civilian deaths.[382] Datasets consistently show that Russia has experienced numerous events of electoral violence under Putin's rule,[383] while such instances have been

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381 Hanley and Vachudova, "Understanding the Illiberal Turn."

382 Mochtak, "Fighting and Voting."

383 Lankina, "The Dynamics of Regional and National Contentious Politics in Russia"; Birch and Muchlinski, "The Dataset of Countries at Risk of Electoral Violence."

rather sparse in Orbán's Hungary. Some (minor) opposition politicians have been detained, and Fidesz-related skinheads once physically blocked the way of a socialist politician to submit a referendum initiative,[384] but no demonstration was broken down by violence and major opposition politicians and parties have not been harassed or killed. In 2019, the opposition even won major positions in Budapest, including the mayoralty of the capital. Where on the scale between "peaceful" coercion and bloody violence the tools of exclusion, discipline, and enforced subservience are located shows that the people enjoy more autonomy in Hungary than in Russia. In fact, the coercion thresholds of post-communist mafia states are different, depending on their geopolitical position: the threshold constraining the use of violence in the case of the EU-member Hungary is higher than in Russia, which is not a member; and even in Russia it is higher than in the case of post-communist mafia states in Central Asia [→ 7.4.3.2].[385] The lower level of violence is also related to the fact that Orbán's behavior is quintessentially competitive and does not aspire to be "father of the nation" like Putin or Central Asian autocrats,[386] which is another sign of the level of autocratic consolidation.

Table 4.15. Twelve post-communist countries by constraints on government and fundamental rights. Autocracies in bold. The countries within each cell are in decreasing order by constraints on government. Source: WJP (2019).

		Fundamental rights (1: perfectly protected; 0: perfectly ignored)			
		0.73–0.89	**0.56–0.72**	**0.39–0.55**	**0.22–0.38**
Constraints on government powers (1: perfectly constrained; 0: perfectly unconstrained)	**0.73–0.89**	Estonia, Czech Republic			
	0.56–0.72		Georgia, Poland, Romania		
	0.39–0.55		North Macedonia, Ukraine, **Hungary**	**Moldova***, **Kazakhstan**	
	0.22–0.38			**Russia**	China

* Data collected in 2017.

In the end, **the consolidated system can be maintained by the discretional use of the instruments of public authority**. With the monopoly of political power, the chief patron disposes over the state and can use its means to neutralize his opponents while maintaining the country's democratic façade. Indeed, Part 4.3 on the institutions of public deliberation was devoted precisely to this, when we explained patronal autocracies as follows: (1) creation of a dominated sphere of communication, neutralizing the opposition in the discussing phase; (2) non-balancing of rights and the institutionalization of a dominant-party system, neutralizing opposition associations and movements; (3) holding loyalty-structuring

[384] Bozóki, "Hungarian 'Exceptionalism': Reflections on Jeffrey C. Isaac's Illiberal Democracy."

[385] Hale, *Patronal Politics*, 242–48.

[386] Krekó and Enyedi, "Orbán's Laboratory of Illiberalism."

campaigns and manipulated elections, turning the voters' free choice into unfree choice; (4) creating instrumental law and custom-tailored lexes, attacking opposition figures in the political, economic and communal spheres alike; and (5) using politically selective law enforcement against opponents and in favor of the adopted political family. This sums up how a patronal autocracy can defend itself from pressures from the outside, without the use of violence or *de jure* elimination of pluralism in politics.

4.4.3.3. Defense against pressures from the inside: the separation of resources of power

Beyond the obvious benefit of lucrative accumulation, the stability of the patronal network is in the interest of the **insiders**, that is, the clients in the adopted political family for two reasons. First, as North and his colleagues say, if "the positions, privileges, and rents of the individual elites […] depend on the limited entry enforced by the continued existence of the regime, all elites have incentives to support and help maintain" it.[387] Second, patronalism solves a kind of "tragedy of commons."[388] While disorganized corrupt actors can overexploit the public-resource pool because it does not have an owner who could properly defend it (weak state [→ 2.5.2]), the chief patron treats the state as his private domain and can effectively coordinate corrupt revenue streams from public resources, and therefore achieve sustainability of the source of rent [→ 7.4.7.2]. However, **high-ranking members of the adopted political family may turn against the chief patron** and try to replace him. The chief patron must be able to fight off such destructive tendencies, which are unlike the competition of lower-level patrons for that is always about the share of their privileges but never seeks to challenge the top chief [→ 7.4.3.1].

Against pressures from within the adopted political family, the same arsenal of public authority that is used against external pressures can be applied. As Hale explains, patronal presidentalism is "an extraordinarily powerful weapon that can be used by its occupant to 'divide and conquer' elites both within and beyond her closest set of clients […]. Appointed officials can be fired. Elected officials can be challenged or disqualified from the ballot when seeking reelection. Business-elites can be denied licenses, deprived of state-linked business partners, or subjected to crippling inspections, fines, and closures at the partial hands of […] state agencies controlled by the president's network. Judicial elites can often be deprived of income or housing and can sometimes by removed from office. And, of course, everyone can be offered a bribe, prosecuted, or simply humiliated."[389] Such moves may prove costly to the chief, either politically—the disloyal actor may leak sensitive information or start financing opposition forces—or financially—if we are talking about a renegade oligarch who is also an important industrialist of the country [→ 3.4.1.4]. However, **it is rational for the chief patron to adopt a so-called commitment strategy to crack down on disloyalty**. Borrowing this concept from game theory, we can say that, if the chief patron shows that he is committed to fight disloyalty even at the cost of hurting himself, the members of the adopted political family will

387 North, Wallis, and Weingast, *Violence and Social Orders*, 20.

388 We borrow the idea of linking patronalism to the tragedy of commons from Dubrovskiy, "Ukraine after 2019 Elections." Also, see the concept of market failure in Chapter 5 [→ 5.2].

389 Hale, *Patronal Politics*, 83.

acknowledge this and realize that disloyalty would lead to a "fight to the death." This makes disloyalty highly unattractive—and as long as his clients remain loyal accordingly, the chief patron does not have to make good on his threat and bear the large costs. Hence, the strategy is rational, and it promotes the longevity of the regime.[390]

For the commitment strategy to work, **the clients must expect that the chief patron is not only willing but also able to punish disloyalty**. Indeed, it is the perception of the patron's power to execute discretional punishments what keeps the patronal pyramid together. The actors remain loyal only as far as they believe the chief patron is in full control of the means of public authority, and can execute custom-tailored punishments through means like instrumental law, selective law-enforcement, and predatory regulations [→ 5.5.4]. However, if this perception disappears and the clients believe the chief patron is not so powerful anymore (e.g., because he is old and expected to leave office),[391] the cohesion of the patronal network breaks and defection to potential (future) chief patrons begins. This is what Hale describes as "lame-duck syndrome," when the perception of the dissipating power of the chief patron becomes a self-fulfilling prophecy.[392]

While still firmly in power, the chief patron can take certain **preventive measures** to avoid lame-duck syndrome and ensure that no one has the means to challenge him effectively. Indeed, what we can see in patronal autocracies is that **while the chief patron eliminates the separation of branches of power within the state, he separates the resources of power within the adopted political family**. This means that the chief patron does not allow anyone but himself to dispose over the kinds of political and economic resources that would be necessary to challenge him and/or to build an autonomous patronal network independently.

Table 4.16 shows the ideal typical pattern of separation. First, **the chief patron is the only one who can combine all resources of power in his hand: executive, party, nation-level economic and nation-level media**.[393] Naturally, this combination is not done through direct ownership but through economic and/or political front men, the latter being employed when the property that embodies an economic or media resource is taken into permanent state care (hot nationalization [→ 5.5.3.3]). However, the **poligarchs below the chief patron** in the patronal pyramid, while having some informal economic power, **can keep either executive power or party background**. Indeed, in democratic parties these roles are typically not split: those in the executive are also important members of their party; they can voice their critical opinions; or even act against the party leader if they disagree with him. However, a transmission-belt party is a vassals' party precisely because such mechanisms of intra-party democracy are eliminated, and it is a transmission-belt because their members do not have true influence over policy or executive decisions [→ 3.3.8, 4.3.4.4]. Poligarchs with party background fulfill roles

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390 Cf. Schelling, "Strategies of Commitment."

391 Hale, *Patronal Politics*, 84–85.

392 For examples, see Hale, 178–240.

393 We list only these four types of power resources for the sake of simplicity. Beyond our illustration, in countries like Russia other powers that need to be separated by the chief patron may include secret service and military power (i.e., control over related bodies).

like party director or whip, but they are not involved in the executive decision-making ideal typically.

Table 4.16. Ideal typical separation of resources of power within the adopted political family.

	Executive power	Party power (party background)	Nation-level economic power	Nation-level media power
Chief patron	+	+	+	+
Poligarch (1)	+	–	+–	–
Poligarch (2)	–	+	+–	–
Oligarch (1)	+–	–	+	–
Oligarch (2)	+–	–	–	+
Political front man	–	–	–	–
Economic front man	–	–	–	–

Legend: "+" means the actor has the power, "–" means he does not have it, and "+–" means that the has it but only in a limited manner.

Oligarchs of the adopted political family are also "single-profile" in the sense that, while they have implicit political (executive or party) power, **they cannot have nation-level economic and media power simultaneously**. They either—having the former—exercise ownership rights of large companies or conglomerates that are important parts of the national economy or—having the latter—own nationwide TV-channels and radio stations. However, it should not be forgotten that oligarchs are *de facto* high-profile front men of the chief patron [→ 3.4.3], therefore their ownership of power resources is conditional upon their loyalty (especially in case of media oligarchs, as nation-level media are politically sensitive assets). Moreover, their political power is limited and can be (informally) vetoed by the chief patron at his whim.

Political and economic front men have no power. They have formal positions, but they cannot exercise the powers vested in them as they wish. Indeed, their position is completely conditional upon the chief patron, who can use the means of public authority and patronal presidentialism explained above against them should they be disobedient. A political front man like an MP or an ordinary (not poligarch) party member simply executes the orders of the chief patron; an economic front man keeps higher-level actors' property under his name, thus hindering economic and legal accountability [→ 5.3.3.2]. True, high-profile front men (not necessarily oligarchs) may have the right to manage companies' everyday operation and therefore they can exercise certain property rights. But these rights can be withdrawn and their patron—indeed, ultimately the chief patron in a single-pyramid system—should be seen as the true owner of the assets they manage [→ 5.5.3.4]. What they can manage or spend on their own is their **personal wealth**, which is typically a fraction of what they *de jure* own. Personal wealth that is accumulated as a main principle of the leading political elite is the benefit of the members of the adopted

political family. With different magnitudes from positions with (more than) decent salaries to millions and billions, every member of the adopted political family receives his "carrot," but always in the shadow of the chief patron's "sticks."[394]

In many cases that appear to be conflicts within the ruling party (as if it was the real center of power [→ 3.3.8]), **the point of the fight is often none other than the chief patron wanting to keep the resources of power separated**. Illustrative is the case of János Lázár and Zoltán Spéder in Hungary.[395] Both being members of the adopted political family, Lázár had political power (executive power as Minister of the Prime Minister's Office) and Spéder had nation-level economic power (in banking) and media power (as the owner of the one of the most widely read online portals *Index.hu*). Indeed, the fact that Spéder had both economic and media power was already considered problematic. According to an investigative journalist, "Spéder was given a clear message […]: either be a banker or a media owner, but not the two together. According to this idea, Orbán's circle felt that the financial monster and the media firms among his interests represented too much power. In no way did they want to see another Lajos Simicska [former inner-circle oligarch with excessive influence] appear on the scene, especially not one who simultaneously collects on utility bills and influences public opinion."[396] While the two actors initially had clear authorization to fulfill separate roles in power concentration and wealth accumulation, they wanted more and decided to team up. But at this point Orbán intervened and deprived both of their power resources. Lázár was removed from the Ministry and every position of political power, while Spéder was forced to give away his economic empire through a custom-tailored lex, discretional supervisory intervention from the Hungarian Financial Supervisory Authority (PSZÁF), reputation dirtying, and politically-selective law enforcement from the Prosecutor's Office.[397] This way, the chief patron not only cracked down on disloyalty but also stopped a poligarch and oligarch from combining their resources of power. Therefore, Orbán prevented the formation of a potential challenger within his adopted political family.

Going back to Table 4.16, adding the adjectives "nation-level" to economic and media power carries importance especially **in multi-tier single-pyramids**. As we explained in the previous chapter, multi-tier single-pyramids prevail in large countries where the chief patron decides not to break local (government's) autonomy, but instead keeps them at bay in a brokered autonomy, where local power networks enjoy significant self-government within their own domains while yielding resources and compliance to the chief patron [→ 7.4.3.1]. Under such arrangements, **top-patrons of the lower tier may have the four types of powers in their hands on the local level**. It would also be logical on their account to have a similar separation of resources of power among their own local clients. But **the chief patron on the higher tier does not allow them to realize a similar power on the national level**, as that would enable the sub-chiefs to challenge the top-chief, to organize

394 Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 78–80.

395 Magyari, "The Rise and Fall of Zoltán Spéder"; Balogh, "Another Government Shake-Up."

396 Magyari, "The Rise and Fall of Zoltán Spéder." On Simicska and how Orbán put an end to his excessive power-concentration, see Magyar, *Post-Communist Mafia State*, 82–88.

397 Kasnyik, "Ilyen államilag koordinált leszámolást még nem láttunk" [We haven't seen such state-controlled rubout before]"; Urfi, "Újra meghosszabbította az ügyészség a Spéder elleni nyomozást" [Again, the prosecutor's office extended the investigation against Spéder]."

color revolutions or perhaps "palace coups."[398] Hence, the chief patron realizes not only the separation of powers with respect to the four powers above but also a geographical delimitation of power.

4.4.3.4. The problem of succession: gradualism, hereditary succession, and lame ducks

The instruments of public authority and the separation of resources of power within the adopted political family embody effective defensive mechanisms to deal with internal threats to power. However, while chief patrons cement their position for eternity, they are not immortal. The situation when the person who founded and led the system retires, dies, or otherwise becomes unable to fulfill his position raises **the problem of succession** if the system is to survive.

The problem stems precisely from the essence of the system: that **the chief patron has centralized all power and cracked down on competing patronal networks**. In a single-pyramid system, the position of the chief patron carries a unique concentration of political power that sub-patrons (even sub-chiefs) do not match—indeed, this is precisely the guarantee of the regime's stability, and hence the separation of resources of power is created. But this also means that **it is not obvious who should come after the chief patron**, as there is not a second-most powerful patronal network and sub-chief but a set of actors roughly equal in size.

One solution to this problem may be identified as **gradual succession by making the presidency a divisible good**. This solution has been shown by Kazakhstan's Nursultan Nazarbayev, who resigned after three decades of presidency in 2019.[399] In the years before his resignation, the position "Leader of the Nation" was created for Nazarbayev and the competences of one of his other titles, the Chairman of Security Council of Kazakhstan, were changed. As of 2019, he legally holds both of these positions for life and they grant him (1) legal immunity and (2) veto rights and *de facto* executive powers over policy decisions (he supervises program documents with the president and the government). Furthermore, Nazarbayev remained head of his party Nur Otan, which won over 80% of votes in 2016. Therefore, the 78-year old chief patron gave the presidency to one of his loyal clients while retaining political power. The executive became divided, but Nazarbayev intended this division and both halves of the executive are filled by his top-down decisions, not as a result of a separate electoral process (as it would happen in a patronal democracy). If this gradual succession continues, then by the time Nazarbayev truly leaves the political scene a hierarchy will have been built up in an orderly fashion, and Nazarbayev's adopted political family can continue ruling the country [→ 3.3.2.2].

A simpler solution for the outgoing patron is to **name his successor**, like Heidar Aliev did with his son, Ilham.[400] But, as Hale warns, this is **far from certain to work**. "Any networks not anointed are bound to fear that the heir […] will cut them off from power and wealth in an effort to establish his dominance […]. In considering whether to back a sitting president's hand-picked successor […] potential elite challengers must weigh the

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[398] Cf. Hale, *Patronal Politics*, 228–29.

[399] "Kazakh Leader Resigns after Three Decades."

[400] Hale, *Patronal Politics*, 291–302.

possibility of punishment for failing to do so against (a) the possibility that they would be punished anyway and (b) the possibility that they could defeat the anointed one in a challenge and claim a greater share of state spoils for themselves."[401]

Indeed, even before the chief patron leaves his position, **the expectation of departure already spurs defection** which "can undermine the president's capacity to shape elite expectations [or to decide] who is punished and who is rewarded."[402] As the chief patron's power begins to dissipate, the central will that coordinated clients and kept them in line also perishes. **In a one-tier pyramid, clients start (1) seizing control of the resources they have be assigned to manage** (state departments, companies etc.) and **(2) forming their own patronal networks** with the resources they can acquire and/or by defecting to (requesting adoption by) the existing elite groups. **In a two-tier pyramid**, while similar movements and new network formations are far from unimaginable, **it is mainly the sub-chiefs who try to seize power**.

The dissipation of central control may be followed by **two scenarios**. First, the more obvious outcome is that a **competition among the clients for the top position** develops. In such situations, every (former) sub-patron either tries to position himself as the future chief or sides with an already more potent network. Second, the clients can realize that an internal war would be very expensive and also uncertain. This not only means that they cannot know whether they can dominate their rivals but also whether they will be punished or even criminally prosecuted after the dust settles. Their rent-collecting economic positions and personal freedom are both at stake. In such cases, it might happen that the rival networks cement their own position but **compromise instead of fighting for dominance**. Thus, the rival networks can agree on the terms of succession and even "elect" a new chief patron. After the death of Uzbek chief patron Islam Karimov in 2016, Shavkat Mirziyoyev's coming to power was most probably a result of such a so-called clan pact [→ 7.4.1].[403]

Going back to the chief patrons, Hale uses the term **"lame duck"** for those who lose control over their patronal network—either because they are expected to retire (die etc.) or because they are undermined by exogenous shocks, like war, natural disaster, economic crisis, or a pandemic.[404] Indeed, such situations that produce lame ducks present **the best opportunities to change a patronal autocracy to democracy**. If the newly created patronal networks start competing, they all want to become dominant, but none of them is interested in being suppressed by a competing network. Thus, the logic of patronal democracy, although the competition largely takes place inside the leading political elite's circles, appears and ambition may be able to counteract ambition. As powers begin to be separated not within the single-pyramid patronal network but among (newly founded) networks, a dynamic equilibrium situation can materialize which is the basic condition for the prevalence of a patronal democracy. Naturally, **if the regime has a presidentialist constitution then systemic reproduction with a new chief patron is more likely** after the internal fighting plays out. However, **if the chief patron has been a prime minister in a parliamentarist system there is a greater chance to break the self-reproducing capacity of patronal autocracy**.

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401 Hale, *Patronal Politics*, 85.

402 Hale, *Patronal Politics*, 84.

403 Horák, "Leadership Succession in Turkmenistan and Uzbekistan."

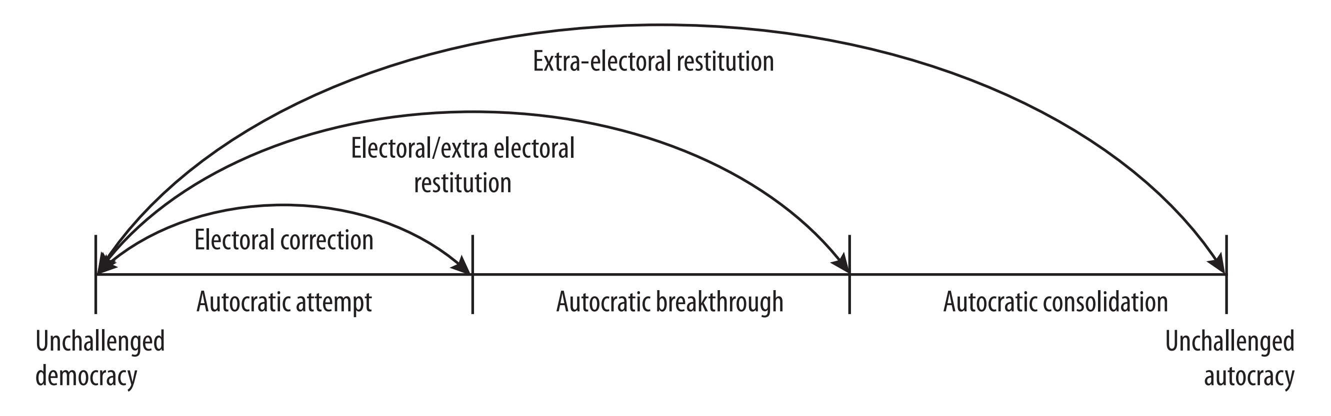
404 Hale, *Patronal Politics*, 84–85, 178–306.

4.4.4. Reversing Autocratic Change: The Regime-Critique Paradigm and Democratic Consolidation

The departure of a chief patron and the problem of succession carry great revolutionary potential, and mobilizing the people on the side of a challenging patronal network is crucial to the success of a democratic turn. To place this in a more comprehensive framework, we may conclude this chapter by discussing various opposition strategies, or more precisely **the forms of comeback from various stages of autocratic change** (Figure 4.3).[405] The "stages" are the ones displayed in Table 4.13: autocratic attempt, autocratic breakthrough, and autocratic consolidation—the first one of which is occasional in liberal democracies and frequent in patronal democracies, while the latter two are particular to (patronal) autocracies.

Figure 4.3 starts from **unchallenged democracy**, which means that (1) both defensive mechanisms of liberal democracy, the separation of branches of power and the autonomy of civil society, are intact, and (2) there are no attempts at breaking these defensive mechanisms. When autocratic tendencies prevail—as an anomaly in a liberal and as a norm in a patronal democracy—we can observe **autocratic attempts**, violating (2) and aiming at breaking down (1). Yet these indeed remain only attempts as the opposition reverses them by **electoral correction**. Simply, this refers to electoral victory by a competing force—often a patronal network, but potentially a democratic challenger. This is the essence of patronal democracies' dynamic equilibrium, which involves constant autocratic attempts by leading patronal networks [→ 4.4.2.1]. This results in an "oscillation" in regime type, composed of regime cycles with small movements toward autocracy and back, without an autocratic breakthrough (as in the case of Romania [→ 7.3.2.3]).

Figure 4.3. Ideal type comebacks from different levels of autocratic change.



However, in the case of regime cycles with **autocratic breakthrough**, we can see **electoral or extra-electoral restitutions**. Compared to correction, "restitution" must also include the change of the constitutional order, that is, the restitution of the autonomy of the separated branches of power. This may be achieved by winning the elections with a supermajority—in

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405 For detailed discussions of opposition strategies, see Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*; Popovic, *Blueprint for Revolution*.

which case the restitution is electoral—or by non-electoral means like color revolutions—in which case the restitution is extra-electoral. Sometimes autocratic breakthrough is ephemeral, like when the leading network commits electoral fraud that spurs a color revolution [→ 4.4.2.3], but there have been examples of color revolutions as well as electoral victories that turned polities back from autocracy to democracy.

Considering **opposition strategy**, a crucial point of returning from autocratic breakthrough is **to switch from the government-critique paradigm to the regime-critique paradigm**.[406] In liberal democracies, **the opposition** usually remains within the boundaries of **the government-critique paradigm**, **whereby it:**

- **attacks the government**, not the regime as a whole;
- **debates public policy**, as if it followed from the declared ideological goals (criticizes value incoherence);
- **forms strategy on the basis of competition of parties**, without cooperation in opposition or nationwide movement;
- **largely preserves distance between political parties and NGOs and entrepreneurs,** supporting certain public policies rather than certain political forces.

Indeed, scholars often argue that attacking the government instead of the regime is a sign of democratic consolidation, for it indicates that democracy is "the only game in town" for the regime's actors.[407] However, when an opposition faces an autocracy, it is crucial that they do not want the regime to be consolidated. On the contrary, they must question the regime, to point out that the prevalent autocracy is not the only game in town. This means that, after autocratic breakthrough, the opposition may be successful if it switches to the **regime-critique paradigm**. In this case, **the opposition**:

- **attacks the autocratic regime**, not the government *per se*;
- **criticizes not the declared ideological goals of the policies but the way they serve power concentration and personal-wealth accumulation** (realizes functionality coherence [→ 6.4.1]);
- **forms strategy on the basis of cooperation in opposition** and a nationwide movement, along the regime-level cleavage of "democratic opposition" vs. "autocratic system;"
- **gets NGOs and entrepreneurs to side with opposition** against the leading political elite that sets out to destroy democracy.

In short, it is the regime-critique paradigm that can **signal to the people that the opposition is ready and capable of winning**, breaking the perception that is otherwise a crucial element of autocratic consolidation.[408] However, there are important reasons why **electoral**

406 Ripp, "The Opposition of the Mafia State," 596–602.

407 Linz and Stepan, *Problems of Democratic Transition and Consolidation*, 15–16.

408 Hale, "Did the Internet Break the Political Machine?" The perception that the leading political elite is invincible and resistance to it will fail is similarly important in case of other single-pyramid power

restitution may not be enough, and there will be a need for extra-electoral restitution. As we explained above, the stake of an election in a patronal autocracy is not like in a liberal democracy—losing power—but may be followed by losing freedom and wealth as well [→ 4.3.3.2]. Facing a "life-and-death struggle," the chief patron is inclined to commit fraud and/or electoral manipulation, as well as to employ the technique of **one-sided changes of the consequences of the elections**. Unlike electoral fraud or the manipulation of the electoral process itself, this method lets the elections play out, but then changes the—formal or informal—institutional framework to minimize the results' regime-disrupting effect. The first form of this technique is **changing the formal competences of elected opposition actors**. The chief patron can use this method if he is not removed but the opposition wins major seats in elections. Hungary provides an example: although Orbán—contrary to expectations—is yet to narrow the formal competences of the new opposition mayor of Budapest (as of late 2019),[409] in late 2018 he set up several centrally controlled agencies to manage every state tender, governmental and municipal, above 700 million forints (ca. €2.1 million) in construction, sports, and the IT sector.[410] Thus, losing positions in the 2019 municipal elections has a considerably milder effect on the revenue streams of the adopted political family than otherwise [→ 5.3.3.3]. The second form of this technique is **to invalidate electoral results through the courts**, like in Moldova, when Andrei Năstase won the mayoral election in the capital, Kishinev, in 2018, under the rule of chief patron Vladimir Plahotniuc.[411] Plahotniuc provides an example for the final form of changing the election's consequences, when he lost his majority in elections but then simply "bought up" dozens of MPs, bribing his way back to a majority. In such cases, electoral restitutions have no chance, and only extra-electoral methods may work—as happened in Moldova, although it was not the opposition but foreign actors that contributed to removing Plahotniuc in an extra-electoral way [→ 7.3.4.4].

On the other hand, **the informal patronal network may have already enmeshed every sphere of social action**, including major non-elected positions in the public as well as the private sphere. Depending on the level of consolidation, positions (informally) occupied by the adopted political family may include the Constitutional Court, the media and—most importantly—the economy, in the form of tremendous accumulated capital and nationwide networks of companies of the adopted political family's oligarchs and poligarchs [→ 5.3.4.4]. Control over the country on these many levels cannot be broken by an election: **the ruling party may be removed by procedures, but the regime, only by extra-electoral means**.[412] However, the election can facilitate removal if the regime has not consolidated yet [→ 4.4.3.2]. As Hale shows, the electoral process is not only about formal political positions, but it also provides a focal point for actors to coordinate. That is, **an electoral defeat signals to elite groups that the current chief patron is a lame duck, which can easily lead to defection** and the emergence of alternative patronal net-

networks, like those of market-exploiting dictatorship. For the case of China, see Huang, "Propaganda as Signaling."

409 Karácsony, "Akkor ki kell menni a barikádokra" [Then we shall go to the barricades].

410 Szabó, "Purgatorbánium."

411 Turp, "Moldovan Court Prevents Pro-European Election Winner From Becoming Chisinau Mayor."

412 Bódis, "Most van itt a vége" [Now this is the end].

works.[413] In this case, the process that breaks the autocratic regime combines electoral and extra-electoral elements, although both remain peaceful.

The more the regime has achieved **autocratic consolidation**, the more the chances of electoral victory as well as formal-procedural restitution wither away. In this case, **extra-electoral restitution** remains the only possibility for the regime to fail. Such restitution may be initiated from outside the adopted political family—meaning an **actual (not color) revolution—**but the above-described **problem of succession** allows for the possibility of a breakup of the regime from the inside as well. (Also, the regime may fall victim to various exogenous shocks like economic crisis or foreign invasion, but we have been confined to cases that are endogenous to the regime.)

We may sum this part up from the opposite perspective: not from avoiding autocratic breakthrough and consolidation but from **instituting democracy and consolidating it**. Table 4.17 shows the different levels of democratic change; similar to Table 4.13, which showed different levels of autocratic change. First, we can speak about **democratic attempt** when the autocracy's opposition tries to engage in either electoral or extra-electoral restitution but it is unsuccessful. In this case, neither defensive mechanism that is disabled by the leading political elite is reinstituted. If the opposition is successful, however, we can speak about **democratic breakthrough**, which reverses an autocratic breakthrough by reinstituting the separation of branches of power. Also, we can speak about democratic breakthrough when democracy is reinstituted after autocratic consolidation, although then a prerequisite of the breakthrough is to free up the civil society first (otherwise there is no autonomy on the basis of which a successful opposition may emerge).[414]

Table 4.17. Different levels of democratic change.

	The autocracy's opposition successfully reinstitutes…	
	First defensive mechanism (separation of branches of power)	Second defensive mechanism (autonomy of civil society)
Democratic attempt	–	–
Democratic breakthrough	X	(X)*
Democratic consolidation	X	X

*: A prerequisite of democratic breakthrough in case of autocratic consolidation.

Finally, we can speak about **democratic consolidation when both defensive mechanisms are restored**. As we mentioned above, scholars often argue that this is not enough for a democracy to be consolidated, and it must also be unchallenged: democracy must be the "only game in town," whereas "democratic structures, norms [must] become well embedded within society."[415] This approach, originating from transitology and "consolidology" of the 1990s [→ *Introduction*], identifies democracy with liberal democracy. For it is liberal

[413] Hale, *Patronal Politics*, 61–94.

[414] Cf. Kollmorgen, "Post-Socialist Transformations."

[415] Morlino, "Democratic Consolidation," 460.

democracy that is consolidated when autocratic tendencies are not present, meaning no challenger to the democratic order exists. However, in a patronal democracy, challenging democracy is the norm—and yet the regime can be regarded consolidated if it reaches the dynamic equilibrium of competing patronal networks. This can be understood on the scale of Figure 4.3. There, **a consolidated liberal democracy would be a static point,** namely the "unchallenged democracy" pole, **while a consolidated patronal democracy would show a dynamic pendulum motion** between unchallenged democracy and autocratic breakthrough.

This leads us to conclude that, even if autocracy ends and democracy consolidates, **a country's trajectory will greatly depend on the character of the new leading political elite**. For it can be—and in the post-communist region, most likely going to be—patronal, in which case only a patronal democracy may emerge from the ashes of the autocratic order. However, **attempts at anti-patronal transformation are not unprecedented** in the region. The period after the Rose Revolution in Georgia brought "a genuine reduction in the level of patronalism"[416] as the leaders, committed not simply to elite interest but to a libertarian ideology, managed to dissolve corrupt bureaucracies and initiated a large series of reforms in public administration [→ 7.3.4.5]. Moreover, **the end of unconstrained patronal rule allows** not only competing networks to emerge and seize power but **the civil society to gain some autonomy**, too. This not only provides a defensive mechanism for the newly founded patronal democracy but can also plant seeds for more liberty and a stronger rule of law.

416 Hale, *Patronal Politics*, 364–70.

5. Economy



5.1. Guide to the Chapter

This chapter deals with **comparative conceptualization of economic phenomena**. It will unfold along the lines of Table 5.1, which contains many of the concepts that are introduced, sorted according to the three polar types from the six ideal type regimes of the triangular conceptual space.

The chapter begins by introducing relational economics, which provide a general viewpoint for the analysis of the economies of the six ideal type regimes. The main point of relational economics is that state decisions follow from public and private actors' relations, which can take legal forms—like formal lobbying—as well as illegal forms—like bribery and other kinds of corruption. Part 5.3 features a typology and analysis of different forms of collusion, including a corruption typology and a typology of corruption brokers. Also in the same part, we provide (1) a case study of Hungary with big data analysis for the transformation of corruption schemes (after a regime change from patronal democracy to patronal autocracy), (2) a critique of global corruption indicators, (3) description of the criminal ecosystem, that is, how (illegal as well as legal) public actors coexist with (authorized or unauthorized) illegal private actors, (4) an analysis of relation in communist dictatorships, including *blat* or the "economy of favors," and (5) a culture-based explanation of lower-level corruption and relations (such as *guanxi* in China) in the post-communist region.

In Part 5.4, we deal with the question of state intervention. We provide a general framework for analyzing state intervention in regimes with private markets, from liberal democracy to patronal autocracy, and explain how regulatory and budgetary intervention differs in patronal and non-patronal systems. Discussing regulatory intervention, we elaborate on the methods of rent creation and rent-seeking in different regimes, whereas the discussion of budgetary intervention explains the normative and discretional functions of taxation and spending.

Part 5.5 is devoted to the question of ownership. We start with a necessary digression about the history of political reorganization of ownership structure in the post-communist region, after which we describe the various methods and motives of (regime-changing) privatization. This is followed by an explanation of predation, or taking of non-monetary private property for private gain, in the post-communist region in a property-rights framework, distinguishing exogenous and endogenous rights as well as the methods by which these rights are violated and/or distributed. Here, we also build on the existing literature on predation, especially Vahabi's analysis of the "booty value" of targets that we expand in our analysis by introducing two new terms: 'stalking value' and 'hunting value' (referring to the respective phase of predation).

Finally, Part 5.6 provides a contribution to the literature on comparative economic systems. We identify the dominant economic mechanism of competitive markets, namely regulated market coordination (after Kornai), and we also distinguish two types of redis-

Table 5.1. Economic phenomena in the three polar type regimes (with the topics of the chapters' parts).

	Liberal democracy	Patronal autocracy	Communist dictatorship
RELATION	relation between economic and political elites is voluntary (lobbying)	relation between economic and political elites is coercive (patronalism)	n.a.
	interest representation	interest collusion	interest repression
	voluntary corruption free-market corruption	coercive corruption criminal state	voluntary corruption blat (with nomenklaturists)
	system-destroying corruption	system-constituting corruption	system-lubricating corruption
	no authorized illegality (only unauthorized) in the criminal ecosystem	authorized + unauthorized illegality in the criminal ecosystem	no authorized illegality (only unauthorized) in the criminal ecosystem
STATE INTERVENTION	normative state intervention (minimum amplitude of arbitrariness)	discretional state intervention (maximum amplitude of arbitrariness)	n.a. (central planning)
	normatively closed markets	discretionally closed markets	n.a. (no private markets)
	rent-seekers are interest groups	rent-seekers are patronal networks	n.a. (no private enterprises)
	general + sectoral taxes	general + sectoral + discretional taxes	n.a. (no tax revenue from the private to the public sphere)
	active control mechanisms (neutral supervisory intervention)	disabled control mechanisms (weaponized supervisory intervention)	n.a. (bureaucratic coordination of the economy)
OWNERSHIP	founded via regime-changing privatization	founded via post-communist ownership redistribution	founded via communist nationalization
	hostile takeover	centrally-led corporate raiding (reiderstvo)	expropriation
	de jure and de facto property rights coincide normative intervention in exogenous property rights	de jure and de facto property rights do not coincide discretional intervention in exogenous property rights	de jure and de facto property rights coincide no exogenous property rights (monopoly of state ownership)
	buyers and sellers exchange at market value	predators and prey takeover at stalking, hunting and booty value	n.a. (normative expropriation)
	private property	power&ownership (vlast&sobstvennost)	state property
COMPARATIVE ECONOMIC SYTEMS	market economy competitive market	relational economy relational market	command economy administrative market
	regulated market coordination	relational market-redistribution	bureaucratic resource-redistribution
	capitalism	political capitalism (mafia capitalism)	socialism

tribution (after Polanyi), namely bureaucratic resource-redistribution—the dominant economic mechanism of administrative markets—and relational market-redistribution—the dominant economic mechanism of relational markets. Next, an explanation of the correcting mechanisms of planned economies (in communist dictatorships) and the distorting mechanisms of market economies (in liberal democracies), followed by a description of the annexing mechanisms that turn competitive markets into relational markets (in patronal autocracies) follows. The chapter also involves a description of modifying mechanisms of relational markets (like financial scheming), as well as an analysis of the economies of the three intermediate regime types. Particularly, we devote a larger part to the dynamic balance of the three economic mechanisms in market-exploiting dictatorships (using China as a paradigmatic case). The chapter closes with a typology of political capitalisms, from crony to mafia capitalism, explaining these concepts' validity in general and also summarizing some of the chapter's finer points.

5.2. Relational Economics as a Challenger of the Neoclassical Synthesis

Conceptualization of economic phenomena may be best done within the interpretative framework of an economic theory. Indeed, economic theories already describe such phenomena: economic models developed for certain predefined situations give a precise description of the processes and behavior of the actors involved. Even if their assumptions are not perfectly met in reality, models can still be illuminating in the sense that they can be used as approximations, or points of reference, to understand the general logic of economic phenomena. As statistician George Box put it, "all models are wrong, but some are useful."[1] In this sense, models are basically like ideal types—from which it follows that, just as we have argued that ideal types nearer to the reality of post-communism should be used for it, we need to find the economic theory that is the closest in its assumptions to the region.[2]

Debating basic assumptions has been central to economic thinking since the second half of the 20th century. **The starting point of economists was the "orthodox" neoclassical synthesis**, which combined microeconomics (the analysis of individual economic actors and their market interactions) and macroeconomics (the analysis of nation-level economic phenomena and international trade) into a unified body of economic theory.[3] Maintaining the micro-macro framework, a number of new, so-called **heterodox schools of economic thought** have appeared in economic literature in the last decades, questioning the axiomatic assumptions of the models of the neoclassical synthesis.[4]

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[1] Box and Draper, *Empirical Model-Building and Response Surfaces*, 424.

[2] Finding an appropriate theory is also essential to economists who want to make economic analyses of the region. However, we want to make it clear that this chapter's primary aim is not to be an economic analysis but creating unambiguous means of expression to perform such analyses [→ *Introduction*].

[3] For a seminal work, see Samuelson, *Economics*.

[4] Colander, Holt, and Rosser "The Changing Face of Mainstream Economics."

The economic theory we are going to use is also heterodox. We call it "relational economics," although we are, to the best of our knowledge, the first to use this term for a distinct school of economic thought. Moreover, the theories we include in it are usually not bundled together, in spite of that they indeed constitute a coherent challenger of the neoclassical synthesis. We may show this by situating relational economics, putting it alongside other heterodox schools of economic thought. For the purposes of our framework, it is not necessary to give a full list of schools but only of the ones in the same "league" as relational economics—ones that **question one of the basic axioms of neoclassical synthesis**. We may identify three such axioms, regarding (1) economic actors, (2) the market, comprised of the actors' exchanges, and (3) the state (Figure 5.1).[5]

Figure 5.1. Three challengers of the neoclassical synthesis questioning some of its basic axioms.

- **Behavioral economics questions the neoclassical axiom about economic actors—rational choice.** Simply put, rationality in economics means making the decision that yields maximum profit (involves minimum cost). The models of neoclassical microeconomics assume that people are rational because (1) behavioral deviations from rational decision options are random and, in the long run, they statistically equal each other out and (2) those who behave irrationally face losses

[5] For a more detailed account on the subject, see Mearman, Berger, and Guizzo, *What Is Heterodox Economics?*

and are eventually driven out of the market, meaning irrational actors cease to be market participants and it is the rational actors who populate the market.[6] Behavioral economics refers to psychology and argues that irrationality is not random but predictable, and the workings of the markets are generally defined by phenomena such as heuristics and cognitive biases (loss aversion, framing, anchoring etc.).[7] Therefore, behavioral economics holds that the neoclassical axiom of rationality **should be augmented with a view of so-called "bounded rationality"** in economic models.[8]

- **Institutional economics questions the neoclassical axiom about the market—that exchanges happen on the basis of supply and demand.** The neoclassical synthesis holds that whenever (1) a market participant has A and values it less than B and (2) another market participant has B and values it less than A, a voluntary exchange of A for B will happen between them. For the first participant will find transferring his lower-valued A for the higher-valued B beneficial, and vice versa, the other will prefer making the exchange of his lower-valued B for the higher-valued A to not making the exchange.[9] Institutional economics argues this is not necessarily true, because of (1) the presence or lack of institutions (such as property rights, contracts, and social norms) and also (2) transaction costs, meaning anything that stands in the way of people making voluntary exchanges.[10] Therefore, institutional economics holds that the neoclassical axiom that only personal preferences, or supply and demand, guide the allocation of resources **should be augmented with a focus on existing and changing constraints that structure political, economic, and social interaction.**[11]
- **Relational economics questions the neoclassical axiom about the state—that its role is to correct market failures.** Following the principle of rationality, neoclassical microeconomics concludes that the state should intervene in free market exchanges only in cases of market failure, that is, when individual rationality does not lead to group rationality (if each individual makes the right decision, the group make the wrong decision).[12] Common examples include pollution and the underproduction of public goods, such as streetlights and dams. Expanding the definition of market failure, macroeconomics adds that the state should intervene to correct nation-level failures such as economic recessions, inflation, and unemployment.[13]

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6 Friedman, "The Methodology of Positive Economics."

7 For popular accounts on behavioral economics, see Ariely, *Predictably Irrational*; Kahneman, *Thinking, Fast and Slow*; Thaler, *Misbehaving*.

8 We are indebted to Balázs Krémer for his help in summarizing behavioral economics.

9 Varian, *Intermediate Microeconomics*, 15–17, 582–90.

10 Coase, "The Problem of Social Cost"; North, "Transaction Costs, Institutions, and Economic History."

11 Williamson, "The New Institutional Economics."

12 Friedman, "Market Failure."

13 Acocella, *The Foundations of Economic Policy*, 122–71.

> Relational economics holds that the prescription of where the state should step in disregards the actual workings of politics and falsely takes it for granted that the state, when it steps in, will implement the theoretically optimal policies economists have derived. Instead of assuming an "omniscient benevolent dictator,"[14] relational economics argues that (1) politicians behave like anybody else and they are just as self-interested or not as economic actors, (2) their incentives are set according to the relations that public and private actors are in, and (3) policy decisions are made accordingly.[15] Therefore, relational economics holds that the neoclassical axiom of analyzing the state as an institution of correcting market failures **should be augmented with an analysis of the real processes and phenomena (relations) from which state decisions follow**, as well as an examination of the effects of these decisions from the viewpoint of relations.

Besides the fact that they all challenge a basic axiom of neoclassical orthodoxy, these three heterodox schools share two further similarities. First, they all argue that neoclassical thought, committed to methodological individualism, has neglected the possibility that individual preferences and action may be influenced by groups, which should thus be subject to economic analysis, too.[16] Second, and more importantly for our book, **all three challengers call the attention to reality**: the reality about market participants, the reality about social institutions structuring the market, and the reality about governmental actors. They call for incorporating these insights into economic theory to make it more relevant to empirical reality.[17]

For the purposes of our framework, **it is relational economics we find the most applicable to the post-communist region**. This is not to say the other schools (or other heterodox schools we have not mentioned) cannot be used meaningfully in these countries. Rather, we claim that relational economics can provide most insights about the functioning of post-communist regimes. For **the other above described branches of economics cannot deal with states subordinated to elite interest**. Indeed, until we do not break away with the axiom of treating the state as a benevolent actor who corrects market failures and serves the public good, the very possibility of a state not running on the principle of societal interest is eliminated. And, as we explained in Chapter 2, states in the post-communist region (and the mafia state in particular) are often subordinated to the principle of elite interest, and ignoring that would make faithful definition of post-communist regimes impossible.

It may be objected that "relational economics" is an unnecessary neologism. After all, public choice theory already rejects the neoclassical assumption about the state when it argues that, for any product or service, the alternative of the free market is a "political

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[14] Holcombe, "Make Economics Policy Relevant."

[15] Holcombe, "Political Capitalism," 2015.

[16] Tomer, "What Is Behavioral Economics?"; Hodgson, "The Approach of Institutional Economics"; Holcombe, *Political Capitalism*, 2018, 44–71.

[17] No wonder these heterodox schools learn from each other: institutional economics incorporates the idea of bounded rationality, whereas relational economics relies heavily on the theory of transaction costs.

market" and it is a question of analysis whether the political mechanism will or will not produce the desired outcome that the private market did not produce.[18] We will also use many existing theories about rent-seeking, regulatory capture, predation, and corruption. Why a new term, then? First, unlike public choice, **relational economics is not concerned with the economic analysis of political processes—it is concerned with political analysis of economic processes**.[19] More precisely, what we are interested in is how an economy that is heavily influenced by the regulations and other interventions of the state works, and how this working differs in regimes with different degrees of separation of the spheres of social action. In a way, relational economics is a branch of political economy that marries comparative regime theory and economic analysis: the former describes the formal and informal relations of public and private actors in the six ideal-type regimes, while the latter is guided by this description in analyzing economic functioning.

Second, and more importantly, that relational economics identifies the common starting point of existing theories about rent-seeking, corruption and so on means that it puts them on a "common track," situating them as starting points of a larger theory that can be developed further. In other words, **"relational economics" is the overarching framework where theories developed for Western economies can be expanded for post-communist regimes**, or for polities where the spheres of social action are not separated and the actors organize themselves in informal patronal networks. To be more precise, the theories of public choice have been developed in the U.S. and mainly analyzed Western governments, the political influence of big business, and the economic and social consequences of governmental favoritism.[20] Conceptualizing the economic phenomena of the three polar type regimes, we can start from this literature on formal and voluntary relations and develop a corresponding analysis of informal and coercive relations in patronal regimes. Thus, **vertical patron-client relations can be analyzed vis-à-vis horizontal non-patronal relations**, allowing us to delineate the latter from the former and getting important insights about post-communist economies.

On the other hand, what we also include under the umbrella of relational economics is the rich literature on **corruption**. For the most important types of corruption **result from illegal and informal relations**, prevailing between formally political and economic actors. In the next part, we will explain the general forms of relation and provide a typology of corruption, starting from how it differs from non-corrupt relation-forming acts like lobbying.

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[18] For a seminal work on the field, see Buchanan and Tollison, *The Theory of Public Choice–II*.

[19] Indeed, public choice theory is closely related to the rational choice school in political science. See Dunleavy, *Democracy, Bureaucracy and Public Choice*.

[20] For two works analyzing the same phenomena from different ideological standpoints, see Stiglitz, *The Price of Inequality*; Stockman, *The Great Deformation*.

5.3. Relation

5.3.1. General Definitions: Relation, Cooperation, Collusion

In colloquial language, "relation" is basically synonymous to connection. For the purposes of our framework, we introduce a narrower definition, excluding the phenomena that are outside the realm of relational economics:

- **Relation** is a kind of connection between people which is informal/illegal and/or involves people who are formally situated in different spheres of social action.

Although existing literature on relation is largely dispersive, not treating the fields we have bundled together as a distinct school of economic thought, Randall G. Holcombe's *Political Capitalism* stands out as an important exception.[21] Holcombe does not use the term "relational economics" but, constructing a theory of "political capitalism," he lays its foundations. For his main contribution lies precisely in synthesizing such widely recognized fields as public choice and elite theory into a coherent economic theory, describing economic decision-making in general and why the state prefers certain groups over others in particular (see Box 5.1). Analyzing the United States and its developed system of lobbying, Holcombe points out that, in a liberal democracy of separated spheres of social action, there are good economic reasons why the economic elite cooperates with the political elite when it comes to policy-making. According to him, democratic societies are divided into two classes: "the masses" and "the elite," the main difference being the transaction costs of participating in political decision-making. In a liberal democracy, the masses can have their interests represented by (a) electing dedicated politicians, (b) forming interest group organizations with lobbyists or (c) getting elected themselves. One can easily argue that, in such a regime, the people have the means and the incentive to participate if they feel their interests are not served, and eventually—in the vein of neoclassical market theory—"an equilibrium set of politically active groups" develops with non-represented interests constantly entering the political mainstream.[22] But, as Holcombe points out, participation, that is, (a), (b) or (c) requires a large number of people to be mobilized and organized, each having little incentive to participate because (1) they have little to gain individually and/or (2) they have little impact on the outcome and, in case of interest group organi-

Box 5.1. The theoretical bases of relational economics.

"The elite theory developed by sociologists and political scientists describes how elites are able to network to control political and economic institutions for their benefit, but elite theory does little to explain the mechanisms by which the elite are able to exercise this control. Public choice theory fills that gap through its theories of interest group politics, rent-seeking, and regulatory capture that describe the mechanisms the elite use. But public choice theory, which takes an individualistic approach to the analysis of political decision-making, does not identify the elite as those who are able to receive the rents and capture the regulatory agencies. Elite theory fills this gap, so taken together, elite theory and the public choice analysis of political processes explain both who benefits from the political process and the mechanisms they use to get those benefits. The building blocks for a theory of political capitalism are well-established in the social sciences."

– Randall G. Holcombe, *Political Capitalism: How Economic and Political Power Is Made and Maintained* (Cambridge: Cambridge University Press, 2018), 170.

[21] Holcombe, *Political Capitalism*, 2018.

[22] North, Wallis, and Weingast, *Violence and Social Orders*, 140–42.

zations, get the benefits of successful lobbying regardless of their participation (free riding). Hence the masses are, according to Holcombe, a high-transaction cost group. In contrast, the elite is a low-transaction cost group because they are either politicians or members of the economic elite, a relatively small group of people, each of whom has much to gain from favorable regulations and whose individual participation carries greater weight in the lobbying process than that of a single citizen out of millions.[23] The result is a system where whenever it is the question who to prefer and at whose expense, the elites make the decision and they benefit themselves, spreading the costs over the masses. "The economic elite," Holcombe writes, "influence the government's economic policies to use regulation, government spending, and the design of the tax system to maintain their elite status in the economy," whereas "[the] political elite who implement those policies are […] supported by the economic elite, which helps the political elite maintain their status […]. The elite cooperate to use their political and economic power to retain their positions at the top of the political and economic hierarchies."[24]

From the viewpoint of relations, there are three important aspects of this theory we need to observe. First, it is not a coincidence that we (as well as Holcombe) used the word "class" above, for **in the market economy** of liberal democracies **the formation of the group of beneficiaries and the group of cost-bearers is a market phenomenon**. Even if we reject Holcombe's overreliance on transaction-cost economics and add that collective action and voting behavior are not a pure function of individual cost-benefit analysis,[25] it remains clear that (1) the outcome, or which interest groups are formed and which ones are not, is the result of the voluntary decisions of the parties involved, (2) while "the masses" or unorganized groups have a chance to vote at the end of every term and elect who they want, organized interest groups can influence decision-making on a daily basis and spend more resources to do so than ordinary people, and (3) business groups have particularly great influence over democratic decision-making.[26] Therefore, it follows the logic of the market, or an "invisible hand" process [→ 2.6] which groups of private actors will form stronger relations with the public sphere, or which ones can bend political decision-making more to their own benefit.

Second and closely related to the first observation, **the relation of political and economic elites is voluntary**, to the mutual benefit of the parties. Moreover, lobbying in liberal democracies is ideal typically legal and regulated, so the relation is made transparent to the public.[27] Finally, the third observation we need to make on the basis of Holcombe is that **the rewards of both elite groups serve the reinforcement of their formal positions in their separated sphere of social action**. Simply put, although they cooperate, the actors do not enter each other's spheres: **entrepreneurs do not also become politicians and politicians do not also become entrepreneurs**. The members of the economic elite, getting favorable regulations, do not become part of the political elite [→ 3.7.1.1]. True,

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[23] Holcombe, *Political Capitalism*, 2018, 72–96.

[24] Holcombe, *Political Capitalism*, 2018, 1.

[25] For a seminal critique, see Green and Shapiro, *Pathologies of Rational Choice Theory*.

[26] Gilens and Page, "Testing Theories of American Politics"; Dal Bó, "Regulatory Capture."

[27] Holcombe, *Political Capitalism*, 2018, 76–77. Cf. McGrath, *Lobbying in Washington, London, and Brussels*.

the economic elite has vast influence over policy-making, but even in an ideal type liberal democracy there can be institutions like the American Legislative Exchange Council (ALEC), where state legislators and private sector members collaborate on model bills that may be introduced for debate in state legislatures.[28] For even in that case, governmental decisions are made not by major entrepreneurs but the politicians, who are free to reject the lobbyists' and the interest-reconciliation forums' offers, just as they (can) freely reject the influence of the non-elites. If they do accept the offers, that is a voluntary exchange of legislation for campaign contributions or (relatively minor) personal benefits,[29] which are used in the political machinery and/or are not turned into productive capital or private economic units (companies etc.). Thus, the members of the political elite do not become part of the economic elite: there is connection between the spheres of social action, but they are separated [→ 3.2].

This kind of voluntary relation that serves the reinforcement of the participants' formal position in their separated spheres may be conceptualized as "cooperation:"

- **Cooperation** is a type of relation when an actor or group of actors *de facto* and *de jure* situated in the economic sphere and an actor *de facto* and *de jure* situated in the political sphere connect voluntarily and formally/legally.

Holcombe uses the term "collusion" for the cooperation of economic and political elites for mutual benefit.[30] However, the voluntary relations he analyzes happen through lobbying, that is, a formal and legalized process. "Collusion," in our understanding, implies relations that are more informal:

- **Collusion** is a type of relation when an actor or group of actors *de jure* situated in the economic sphere and an actor or group of actors *de jure* situated in the political sphere connect informally/illegally.

There are three principally important features distinguishing collusion from cooperation. First, **the parties involved are situated in formally separated spheres that can be informally connected**. Second, **the relation between the two elites can be voluntary as well as coercive**. In the case of voluntary transactions, the economics of the relationship is not unlike the situation described by Holcombe: both parties need to offer something of value to the other to make him voluntarily relate. In this case, the relation can be described as **horizontal** and **non-patronal**, where no party can force the other one into the exchange **(free entry)** or force him to continue to make the exchange **(free exit)**. In the case of coercive transactions, however, the economics of the relationship is considerably different. For

[28] Greeley and Fitzgerald, "Pssst ... Wanna Buy a Law?" Also, see Pogátsa, "A neoliberalizmus politikai gazdaságtana" [The political economy of neoliberalism].

[29] Holcombe, *Political Capitalism*, 2018, 78; Pogátsa, "A neoliberalizmus politikai gazdaságtana" [The political economy of neoliberalism]. 58–59. As for "relatively minor" benefits, Holcombe's example is arranging a job offer for a family member in the lobbyist's industry. This is obviously not comparable to the wealth poligarchs and their adopted political families amass (see Box 3.1 [→ 3.3.3]).

[30] Holcombe, *Political Capitalism*, 2018, 1.

then it is solely the cost-benefit calculation of the aggressor that decides whether the relation comes into being. In this case, the relation can be described as **vertical** and **patronal**, where one party can force the other one into the exchange **(unfree entry)** and force him to continue to make the exchange **(unfree exit)**. Indeed, in the case of coercive transactions, **the relation of political and economic elites is an extra-market phenomenon**, meaning it does not follow the logic of the free market. The formation of the group of those inside the network of beneficiaries is **not the result of an invisible hand process but of the visible hand of the patron**. If participants are related informally as well as coercively, the members of the economic elite become part of the political elite (see oligarchs [→ 3.4.1]) and the members of the political elite become part of the economic elite (see poligarchs [→ 3.3.3]).

5.3.2. Collusion and Corruption: A Typology

5.3.2.1. Developing an analytical framework[31]

As we already mentioned, relation and corruption are closely related. We use the definition of corruption provided in Part 2.4.4, that is, "the abuse of entrusted power for private gain." Here, "entrusted power" means the powers formally vested in a state position, and they are "abused" if they are used for private gain (typically illegally). This may happen involving, or upon the request of, private actors, which means the collusion of public and private actors. Indeed, **the result of collusion is, by definition, corruption**. But corruption might happen without collusion, too, such as in case of embezzlement.[32] However, while such cases of intra-sphere corruption can appear in the post-communist region, they are not ideal typically different from similar cases in Western regimes. It is precisely collusive corruption where ideal typical differences can be observed, because of the ideal typical difference in the level of separation of spheres of social action.

To model corruption, we need to perform on its definition a "sociological disaggregation," that is, to identify its key elements and dimensions by which different types of corruption can vary. One such disaggregation is offered by Diego Gambetta, who understands corruption as a **principal-agent problem**.[33] According to him, there are **three major actors** of corruption: **the truster** (T), who is the principal entrusting someone with power; **the fiduciary** (F), who is the agent entrusted with the power; and **the corrupter** (C), who initiates the corrupt transaction because he wants his private gain to be served by "certain resources that F is *not* supposed to deliver to him, given the conditions of his relation to T" (emphasis in original).[34] In this framework, it is F who abuses his position for private gain, contrary to the wishes of his principal, T, who entrusted him with power

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[31] The analytical framework is used to establish a typology on the basis of the structure of corruption. For a functionalist typology (of part of the same phenomena we analyze), see Jávor and Jancsics, "Corrupt Governmental Networks."

[32] Vargas-Hernández, "The Multiple Faces of Corruption," 134.

[33] Gambetta, "Corruption: An Analytical Map." For the seminal paper on the neo-institutionalist model of corruption, see Groenendijk, "A Principal-Agent Model of Corruption."

[34] Gambetta, "Corruption: An Analytical Map," 35.

(hence corruption is a principal-agent problem). The corrupter, as Gambetta explains, can be a different person from the fiduciary, such as in case of bribery when C bribes F to get his private gain served, or he can be the same person as the fiduciary (F=C), such as in case of the above-mentioned embezzlement when the entrusted actor abuses his position for his own private gain.[35]

While insightful, Gambetta's framework does not deal with cases when **a public actor is both a principal and an agent**. Yet among the hierarchical ranks of state bureaucracy, only those on the very bottom are purely agents and only those on the very top can be purely principals.[36] Everyone in between is the (direct or indirect) principal of those under him and the (direct or indirect) agent of those above him.

This leads to two problems because of which the variety of collusive corruption that is characteristic of the post-communist region cannot be described in a simple principal-agent framework. First, if we identify the corrupt actor as purely an agent and his direct superior as his principal, we take the case out of the context of the state within which the corrupt act happens. A contextual analysis should take into account that the actor is a principal as well as an agent, and place him on a level of state hierarchy accordingly. Without this, corruption is analyzed in an isolated manner and a comparative typology of corruption appearing on different levels of the state hierarchy becomes unattainable. Second and closely related, Gambetta's framework rules out the possibility of network corruption as it narrows the focus to only three actors. Indeed, because of the hierarchical nature of the state, if F is not someone on the very bottom—a pure agent—but he is also a T, he can use his subordinates (his Fs) as servers to facilitate the corrupt transaction.[37] In other words, we can say that this second weakness is none other but excluding the possibility that **a truster can be a corrupter**, too, such as in case of top-down types of corruption which are especially prominent in the post-communist region.

In theory, a more complex principal-agent model could encompass cases of state-level network corruption. In practice, we believe it would lead to a most transparent typology of post-communist corruption if we constructed a genuine **analytical framework**. Starting with the **actors** who take part in a corrupt transaction, we must take into account (1) private as well as public actors, given that we are interested in collusive corruption, and (2) the hierarchy between public actors. Thus, we may differentiate three general levels by the actors' formal position: **private actors**, **public administrators**, and **governmental actors**. The two latter levels are both part of the sphere of political action, yet their differentiation is crucial. For public administration (bureaucracy) only implements the law, enforces it and takes part in the regular operation of state institutions, whereas governmental actors make the law and regulate the public administration.[38] All the three general levels can be further divided into sublevels, but here the only distinction we shall make is between **elite and non-elite actors**. In general, we define elite and non-elite as we did at the beginning

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[35] Gambetta, "Corruption: An Analytical Map," 40–41.

[36] But in case of democratic regimes, they indeed are agents as well—agents of the people who elect them as representatives. See Katz, "No Man Can Serve Two Masters."

[37] Cf. Jávor and Jancsics, "Corrupt Governmental Networks."

[38] Hence the differentiation of "administrative corruption" and "state capture" in the literature of corruption. See Knack, "Measuring Corruption," 256.

of Chapter 2 [→ 2.2.2]. In particular, elite and non-elite in the certain levels should be understood as follows:

- **among private actors**, non-elite means the ordinary citizen or small and medium sized enterprises, whereas elite means major entrepreneurs or oligarchs;
- **among public administrators**, non-elite means the administrators whose task is to be in direct, day-to-day contact with private citizens, whereas elite administrators are the bosses of the non-elite administrators (i.e., the heads of governmental departments or leaders of state organizations who regularly remain in the background from the citizens' point of view);
- **among governmental actors**, non-elite means regular members of the legislation or the regulatory body of a local government who are not part of the executive branch, whereas elite means the executives of national or local government, like a mayor, the prime minister or the president.[39]

In terms of Gambetta, private actors can only be corrupters (C), non-elite public administrators can be corrupters and fiduciaries (C and/or F), and all the other actors can be corrupters, fiduciaries and trusters (C, F and/or T). In terms of the spheres of social action, "the elite of private actors" is largely synonymous to "economic elite," although it may include elite actors from the sphere of communal action as well. Also, the private non-elite includes the market as well as the communal non-elite (such as citizens). As for the public sector, governmental actors comprise the political elite and public administrators, the non-elite.

From our definition of collusion, it follows that the second aspect a framework for collusive corruption must assess is **the types of informal/illegal connections** between the actors. Here, we have **three dimensions** by which we can classify. First, by **the actor's role** in corruption: he can be either (a) the **demander**, who initiates the corrupt transaction; (b) the **supplier**, who abuses his public position; or (c) the **server**, who works for either party with the task to carry out and/or facilitate the corrupt transaction (often as an agent of the supplier). Again, in Gambetta's terms, the demander is C, whereas the supplier and the server are indeed two types of F: the supplier is the F who enters into the corrupt relation voluntarily, whereas the server is the one who is instructed by his T.[40] Also, incorporating Gambetta's point that F can be the same as C, we need to acknowledge that one actor is not necessarily confined to a single role but can be both the demander and the supplier. This is the case when someone uses his public position to develop a corrupt network, whereby corruption is monopolized on the given level (those under the corrupt public actor are instructed to act in corrupt ways but are not allowed to satisfy any corrupt demand for their own private gain).

[39] In a liberal democracy, elite governmental actors also include the non-MP leaders of the governing party.

[40] We do not include trusters *qua* trusters in our model explicitly because if corruption is a principal-agent problem and the fiduciary corrupts his position against the will of the truster, then that means that the truster is not part of the corrupt network in question. (And if a truster is part of it, then he is either a demander, supplier, or a—higher level—server.)

What suppliers "supply" (and demanders demand) is discretional treatment from state institutions, which should legally be normative and treat every person the same. Discretional treatment may result in (a) direct benefits, such as getting a license or winning an overpriced public procurement tender, in which cases the supplier gives the benefit in a single step by disregarding the legal requirements of such benefits, or (b) indirect benefits, when an influential (e.g., elite governmental) actor makes someone else to provide the benefit to the demander. Crucially, among indirect benefits one service that suppliers offer is **krysha** [→ 3.6.3.1], which in this context refers to **disabling control mechanisms on a discretional basis**. In other words, the supplier—especially in higher forms of collusive corruption—offers cover for the corrupt acts, whereby he ensures that control actors, like local inspectors or the police, disregard their legal duties and turn a blind eye to illegality. (Indeed, krysha can also be a direct benefit if it is the control actor who is bribed.)[41]

Going back to developing our framework, its second dimension is the **regularity** of connection. From this respect, corrupt transactions between certain actors can be made occasionally, negotiated case-by-case, or permanently, meaning a longer-term relationship involving a number of consecutive transactions. Finally, we must differentiate, as we have explained above, **voluntary and coercive** relations. Coercive relations in the analytical framework can also be dubbed as **subordination** or patronal relation (or patronal subordination), whereby (1) the will of one party (the patron) trumps that of the other (the client) in the transaction and (2) there is **no free exit** from the relationship, in the sense defined above.

5.3.2.2. Voluntary corruption: free-market corruption, cronyism, and state organization collusion

Having defined both the actors and the types of connections between them, we can draw up the analytical framework. In the following six figures (Figure 5.2–7), the set of circles represent the actors of an ideal type regime and, with fillings and arrows, we attempt to capture ideal typical **corruption patterns**, that is, actors of which level are in what connection with each other. These schematic depictions should not be understood in an exclusive manner: saying, for instance, that in free-market corruption must be an elite private actor who is connected to two non-elite public administrators (because that case is being depicted). Rather, these are to be seen as examples of the given corruption pattern, demonstrating the typical structure and forms of transactions belonging to it. Another crucial point is that **we do not define the scope of corruption patterns in advance**. That is, each corruption pattern may be typical to different parts of a country with different intensity. For the purposes of our description, we will explain how these patterns may appear (1) **locally**, in one institution of the regime, and **(2) countrywide**, meaning the pattern dominantly characterizes all exchanges among the given types of actors in the regime. (A more detailed description should deal with the aspect of scope of corruption as a variable, whereas (1) and (2) are two endpoints of a scale.)

Using the analytical framework, we define **six types of collusive corruption.** This part is devoted to **the three voluntary types, the first** of which is free-market corruption (Figure 5.2):

[41] Ledeneva, *How Russia Really Works*, 86.

- **Free-market corruption** is a type of corruption where private actors collude with non-elite public administrators, and they carry out corrupt transactions voluntarily and occasionally. While the collusion may be initiated by either party, the corrupt transaction is initiated (demanded) by the private actor, and it is supplied by the public administrator.

In the case of free-market corruption, private interests hold an illegitimate sway in state and local government decisions concerning the allocation of resources, procurements, concessions, and entitlements. As a result, illegal barter deals are concluded between discrete private actors and non-elite, everyday administrators of state bureaucracy (office clerks, policemen etc.). Free-market corruption consists of **a series of individual phenomena**: an official responsible for a decision accepts or requests financial or other benefits for handling a case in a manner advantageous to the private actor. A state may be considered "corrupt" if there is a high occurrence of such incidents [→ 2.4.4], or if civil administrative or business matters can only be managed through **bribes**. It is this case when free-market corruption is countrywide, instead of remaining only local. However, it must be noted that, even if the pattern appears countrywide, these actions of free-market corruption are **occasional,** that is, happen case-by-case when one decides to take part in a corrupt transaction and are not organized as a group function on either side. Instances of free-market corruption are also **voluntary** on both sides of the deal. From this respect, it is immaterial whether the bribes are requested by members of the public administration or they are simply willing to accept them. As the definition states, the corrupt service is being supplied by members of the public administration, abusing their position, whereas the private actors accepting it are in demand of such transactions. Both parties are free to reject the offer for corrupt service, although an honest private actor may find himself in a disadvantaged position vis-à-vis corrupt private actors if he does so (especially if the pattern is countrywide).

Figure 5.2. Schematic depiction of free-market corruption.

Governmental actors: Elite; Non-elite
Public administrators: Elite; Non-elite
Private actors: Elite; Non-elite

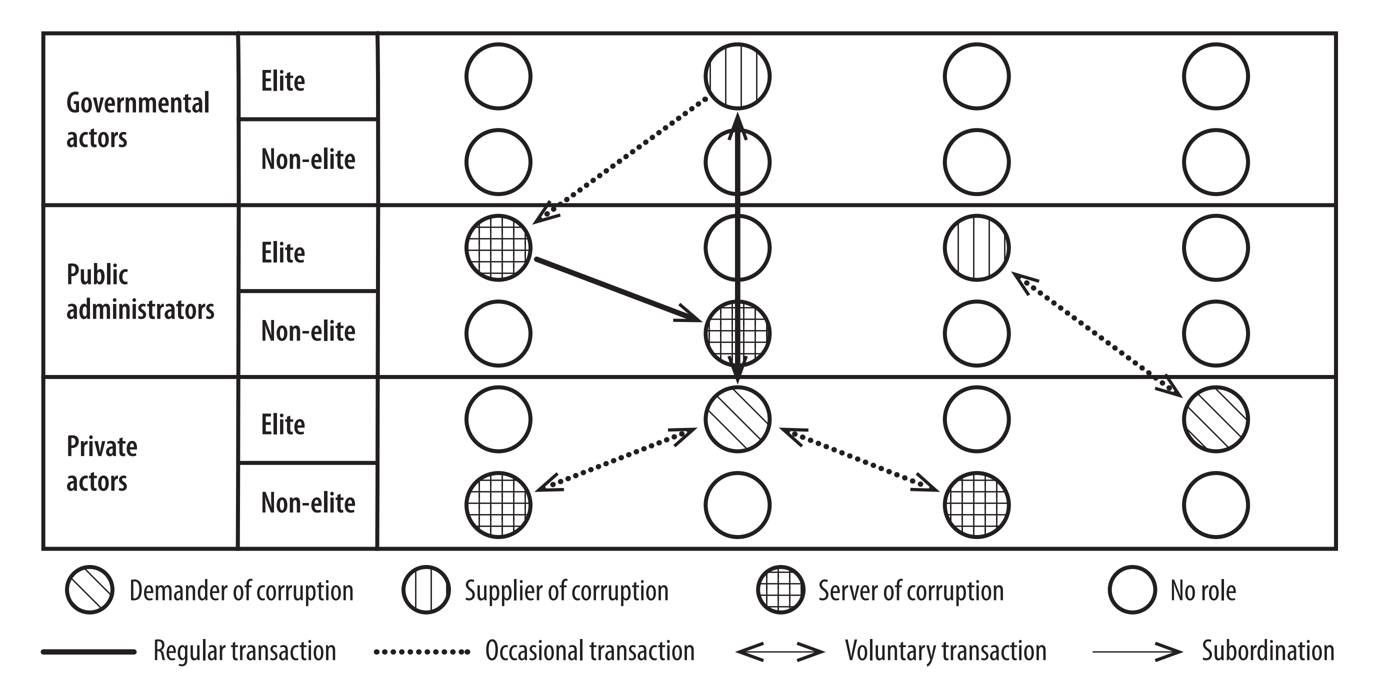
Demander of corruption · Supplier of corruption · No role
Regular transaction · Occasional transaction · Voluntary transaction · Subordination

The term **"free market"** in the name of this pattern partly refers to the voluntary transactions between the people involved [→ 2.6] and also to the fact that corrupt opportunities are not restricted to a specific group of people. Indeed, free-market corruption can be characterized as **"open access,"** meaning that anyone with the right amount of (monetary) resources can enter such corrupt relationships. Furthermore, open access results in **competition with free entry**. Where both corrupt supply and demand are numerous, private actors can compete in the amount of bribe they offer; and the public actors, in the amount they ask.[42] In more monopolistic examples, like that of a public procurement tender, only private actors can compete and the public actor can reap higher rents. Naturally, the illegal nature of such transactions constitutes a structural hole between corrupt supply and demand which often necessitates a corruption broker, who makes a functioning corruption market possible [→ 5.3.3.2].[43]

The second pattern of voluntary corruption is cronyism (Figure 5.3):

- **Cronyism** is a type of corruption where elite private actors collude with elite public administrators or governmental actors, and they carry out corrupt transactions voluntarily and occasionally or permanently (sometimes involving public administrators and non-elite private actors as servers). While the collusion may be initiated by either party, the corrupt transaction is initiated (demanded) by the private actor, and it is supplied by the governmental actor.

Figure 5.3. Schematic depiction of cronyism.



[42] Diaby and Sylwester, "Corruption and Market Competition."

[43] Jancsics, "'A Friend Gave Me a Phone Number.'"

In our understanding, **"crony" is a specific person who is in informal voluntary relation with an elite public administrator or a governmental actor**, who decides to give his crony preferential treatment in the competition for state positions or favors.[44] Indeed, the meaning of the word "crony" in English is close to that of "friend" or "pal," which implies no subordinating or patron-client relation whatsoever.[45] The informal voluntary relation **may have been formed before the concrete corrupt transaction**, such as in case of longstanding friends, family members or corrupt business partners. In such cases, we can use the term **"nepotism"** as **a specific subtype of cronyism**. However, there are **non-nepotistic cases** of cronyism as well, **when the relation is formed for one occasion** between the private actor and the governmental actor. In either case, the definitive feature of cronyism—which will distinguish it from state capture—is the relation's **voluntary nature**. In a sense, cronyism is an alliance of equals, a "client-client relation"[46] where, even if the given people do collude for private gain numerous times, no party can force the other to continue to make such deals in the future. **If we talk about cronies, that means no chains of dependency from either side (that is, no patronal relation) is formed between the parties.** Both parties enter the relation voluntarily, for their own benefit, and they may exit from it freely if they find that option more beneficial.

When cronyism is **local**, happening with one governmental actor or institution, it also tends to be **occasional**. Even when the relations between participants have a history, they use this accumulated social capital to carry out corrupt transactions case-by-case, without beginning to show the signs of a more regular nature. However, as cronyism starts spreading and **becoming more and more dominant countrywide**, corrupt relations can also become permanent as they are **systematized by a network** of cronies. In his book *Informal Politics in Post-Communist Europe*, Michal Klíma analyzes such situation in the Czech Republic in depth. According to him, Czech political life is characterized by mutually beneficial alliances between major entrepreneurs and party members (though not complete parties), who both act by the principle of power centralization and personal-wealth accumulation. Creating informal networks that enmesh the political sphere in a bottom-up fashion, such crony networks realize a collusion of spheres as political actors become definitive in market action and economic actors become definitive in political action—although not as thoroughly as in case of a mafia state (see Box 5.2).

In essence, cronyism is similar to free-market corruption, the main difference being that cronyism reaches higher levels of the sphere of political action, including elite public administrators and governmental actors. In the case of free-market corruption, it is the direct decision-maker who is approached: for example, the one who decides to whom to sell a property or to whom to give a public tender. In the case of cronyism, the one who decides which property is for sale or in what project should public tenders be published is approached. **The crony and his political associate are in different segments but at the same level of social hierarchy:** they are both influential in their walks of life, and they decide to use their positions to collude with each other for mutual benefit.

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[44] Cf. Khatri, Tsang, and Begley, "Cronyism."

[45] "Crony."

[46] Klíma, *Informal Politics in Post-Communist Europe*, 13–15.

Box 5.2. Systemic cronyism and its effect on politics.

"Informal structures, elected by nobody, often possess greater power than parliament and government, but at the same time operate through them. [. . .] At their apex are the unofficial national bosses or oligarchs, who work in symbiosis with key representatives of the political parties. The positions of the central bosses may be filled by the highest ranking politicians and by national lobbyists or godfathers or by representatives of the largest corporate conglomerates. Within these circles, decisions are made behind closed doors on a wide range of *informal exchanges of favours*. In addition to the classic allocation of the largest domestic tenders and projects from European funds, these networks also decide upon the post-election composition of the cabinet or alternatively the fall of the government. [As a result] a significant proportion of the party elite was displaying *divided loyalties*, i.e. not only to their own party but also to a particular non-transparent business. It is precisely these divided loyalties that often clashed mutually, which impaired party discipline, meaning the cohesion of the party factions in parliament and multi-party coalitions. [. . .] At the same time, the covert nature of loyalty to non-transparent businesses generated increasing public frustration and distrust in the political elite. [. . .] This process systemically impairs the operation of all the elements of the political system and economic market, as well as political culture."

– Michal Klíma, *Informal Politics in Post-Communist Europe: Political Parties, Clientelism and State Capture*, 1st edition (Routledge, 2019), 10, 15, 27.

The further difference between free-market corruption and cronyism is the occasional systematization, as well as the appearance of **servers** in the corrupt transaction. Governmental actors can use the **public administration** that belongs to them in carrying out cronyism, ordering them to treat certain people preferentially. It is typically elite public administrators who are in direct connection with the governmental actors and they may use their subordinates, that is, non-elite actors of the state apparatus, to facilitate the corrupt transaction. Such misuse of formal and legal vertical connections turns them into **illegal subordination**, where the elite public administrator carries out the will of the governmental actor and non-elite public administrators, the will of their elite bosses.

In scholarly as well as colloquial speech, "cronyism" is sometimes used to point out that the state uses its powers to serve special interests, as a consequence of lobbying.[47] On the one hand, the comparison is understandable, because both cronyism and lobbying involve elite private actors who form voluntary relations with actors of the sphere of political action. On the other hand, **cronyism is dissimilar to lobbying** because cronyism is based on informal/illegal relations and transactions, and it involves **preferential treatment of certain people, not certain industries or interest groups** [→ 5.4.2.3].

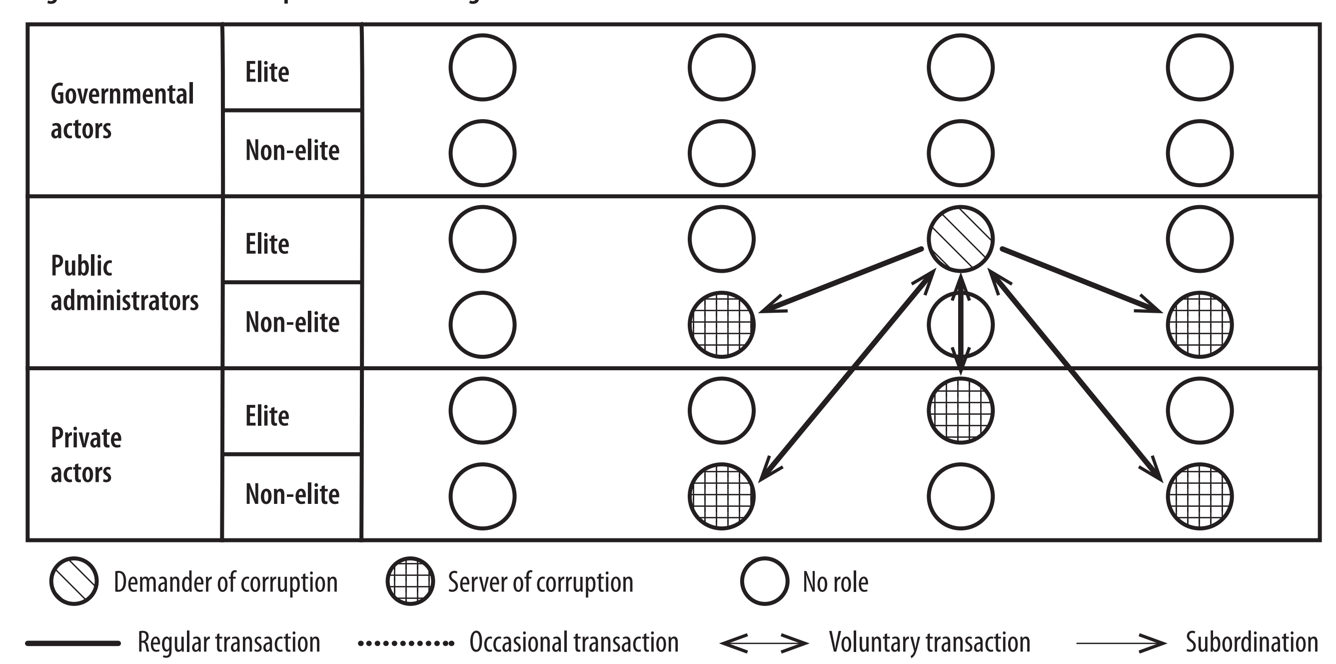
The final pattern of voluntary corruption is state organization collusion (Figure 5.4):

• **State organization collusion** is a type of corruption where elite administrative actors (leaders of state organizations) collude with private actors, and they carry out corrupt transactions voluntarily and regularly (using non-elite public administrators as servers). Both the collusion and the corrupt transaction are initiated (demanded) by the administrative actor, and he is also the supplier.

As opposed to free-market corruption, where the demander and the supplier of corrupt service are in different spheres of social action, in the top-down case **the roles of supplier and demander are merged**. For it is the elite administrator who abuses his office, and he does it for his own gain. More specifically, such cases usually involve most or all members of the board of a state owned enterprise, deciding to "illegally 'sell' the resources of their own organization. In order to manage this process smoothly, they need to develop internal informal networks. Organizations captured by these local elites 'eat up' their own resources,

[47] Holcombe, *Political Capitalism*, 2018, 3–4; Henderson, "The Economics and History of Cronyism."

Figure 5.4. Schematic depiction of state organization collusion.



which significantly reduces their effectiveness and efficiency. […] **Elite members** of such corrupt arrangements have strong decisional power to **choose suppliers and other business partners** of the organization. The most typical way to siphon resources off the system is by **receiving kickbacks** from these partners in return for approving overpriced orders" (emphasis added).[48] Such arrangements cannot constitute countrywide networks—unlike cronyism—but always contain local networks, although the arrangement itself can be widespread if it characterizes most organizations of the (corrupt) state.

The private actors who are involved in the corrupt transactions **collude voluntarily with state organization actors** who give them the overpriced orders, whereas their relation is **regular**. For the heads of state organizations create a **scheme** by which they can systemically funnel the budgetary resources of their organization to private hands. Typically, such schemes can work for a longer period than similar schemes could in private enterprises, as a result of the so-called soft budget constraint of state organizations,[49] whereas it is constantly threatened by internal and external control agents of the state. **Deactivation of control mechanisms** for as long as possible is one of the key components of sustaining corrupt networks and that is achieved by the perpetrators of state organization collusion in a number of ways, including bribery and "technicization." As Jancsics explains, with the help of experts like "the organization's middle-level professionals, lawyers, accountants, engineers, and economists" organizers of the corrupt network can custom-tailor tenders, so that only the targeted private actor will be suitable to win [→ 4.3.4.2]. Jancsics offers an example from Hungary, a 2009 call for tender of the tax authority that intended to buy cars for the organization. As he writes, the tender documentation "included a complicated

48 Jancsics, "From Local Cliques to Mafia State," 133–34.

49 Kornai, "The Soft Budget Constraint."

description of the cars' required parameters […]. The conditions were perfectly tailored to a specific model of one particular carmaker."[50]

5.3.2.3. Coercive corruption: bottom-up state capture, top-down state capture, criminal state

While voluntary corruption is an important phenomenon in the post-communist region, informal ties of relation there tend to be organized into **patron-client patterns of subservience**. Dominant actors subordinate other actors on the levels below them, creating informal networks which take over formal institutions and use them as façades. It is such cases of coercive corruption, involving patronal subordination that we classify below.

In line with existing literature, we use the general term "capture" in the context of coercive corruption as follows:

- **Capture** is a form of corruption, involving collusion of a coercive nature with only a part of the capturer's sphere of social action. In other words, capture refers to partial cases of coercive corruption only.

In corruption literature, "capture" refers to the illicit and illegitimate subordination of state functioning to special interests of economic elites.[51] Putting it in context, we redefine capture in three ways. First, as the etymology of "capture" suggests, there must be someone in the process who is captured, that is, whose will is being coercively dominated by the capturer. Hence, we narrow the definition to coercive corruption. Second, we differentiate three types of capture, including ones that are not initiated or demanded by the economic elite, being usually presumed by those using the term "state capture."[52] Finally, we add to the definition of capture that it is always partial. For, on the one hand, the lack of this limit would result in a confusing situation where almost any autocracy or dictatorship that replaces a democratic establishment could be described as state capture.[53] On the other hand, we also want to avoid the conflation of the case when oligarchs capture certain parts of the state with the case when the single-pyramid patronal network of an adopted political family turns the entire state into a criminal organization.[54] Theoretically, the latter case might be labelled as a "full capture" and former case, as "partial capture," but practically it should result in a clearer and firmer distinction between the two situations if the definition of capture is narrowed down to partial cases beforehand.

The main dimension by which captures can be differentiated is **the direction of the capture**. By this aspect, we can distinguish (a) bottom-up capture, where the demander

[50] Jancsics, "From Local Cliques to Mafia State," 134.

[51] "Anticorruption in Transition," 3.

[52] TI, "Corruption Perceptions Index 2017—Full Source Description."

[53] True, capture must also be informal/illegal by definition because it involves collusion, but even this criterion is met by several autocratic turnovers that break legal continuity or override much of the existing legal corpus.

[54] For an example of such conflation of terms, see Innes, "The Political Economy of State Capture in Central Europe."

of corrupt transaction is in the private sector, and (b) top-down state capture, where the demander of corrupt transaction is in the public sector.

We are going to describe **three types of coercive corruption, the first** of which is bottom-up state capture (Figure 5.5) which is simply referred to as "state capture" in the literature:[55]

- **Bottom-up state capture** is a form of corruption where elite private actors collude with elite public administrators or governmental actors, and they carry out corrupt transactions coercively and occasionally or permanently (sometimes involving public administrators and non-elite private actors as servers). The collusion and the corrupt transaction are both initiated (demanded) by the private actor, and supplied by the governmental actor.

In the case of bottom-up state capture, the actors' cooperation becomes more complex not only on the side of corruption supply but also on the side of corruption demand, given that the corruption partners from the private sector are **oligarchs or crime bosses** of the organized underworld. Although both of these types are included in the economic elite as well as the private sphere, a distinction must be made between them. A crime boss of the organized underworld mainly operates illegal economic activities (drug trade, prostitution, oil bleaching, extortion, protection racket etc.) under illegal conditions. He stands in conflict with representatives of public authority and seeks to draw them under his influence by illegitimate means (bribery, threats, blackmail and occasionally physical violence). The oligarch of post-communist systems seeks to secure illegal support for otherwise legal eco-

Figure 5.5. Schematic depiction of bottom-up state capture.

Governmental actors
Elite
Non-elite
Public administrators
Elite
Non-elite
Private actors
Elite
Non-elite

Demander of corruption
Supplier of corruption
Server of corruption
No role
Regular transaction
Occasional transaction
Voluntary transaction
Subordination

55 For a seminal article, see Hellman, Jones, and Kaufmann, "Seize the State, Seize the Day."

nomic activity by means of corruption.[56] Indeed, on the basis of this distinction, we may distinguish **criminal state capture**—the type of bottom-up state capture that is carried out by a crime boss—and **oligarchic state capture—**the type of bottom-up state capture that is carried out by an oligarch.

Bottom-up state capture is the coercive counterpart of cronyism, where corruption vertically reaches the higher levels of the public sphere and permanently subordinates political actors to the economic elite.[57] Subordination may happen as a result of blackmail or extortion; or the political actor can also sell himself (or the powers vested in his formal positions) to subordinate service for a lump sum. It may be objected that in the latter case, the entry into collusion is voluntary. But as a result of it, **the public administrator** (such as a police chief or a state enterprise leader) **or the governmental actor** (such as a politician) **cuts off his option to free exit** because the private actor can coerce him into the exchange via blackmail, threatening the public actor to publicize his corrupt behavior. Therefore, from that point onwards he must use his formal powers according to the wishes of his "owner" regardless of whether he agrees with him or not. And as we understand free exit as a key component of voluntary relations, we regard the corrupt transactions resulting from such informal contracts coercive.

The situation described in the previous paragraph highlights also that **bottom-up state capture can be permanent** (as well as occasional). This leads us to another differentiation between bottom-up state capture and the influence of large state firms, often inherited from communist times and also having a permanent and sometimes exploitative relationship with governmental actors.[58] The main difference is precisely the momentum of collusion: we can speak precisely about relation between different spheres of social action because there is no formal tie of ownership between the state and the captor oligarch. In the case of large state firms, there are formal ties: the firms themselves are operated by public administrators and therefore their activity might be a special case of intra-state lobbying or non-collusive corruption.

The servers of bottom-up state capture enter on both the private and the public administration level. As for the former, servers are subcontractors or suppliers of the oligarch who are in occasional and voluntary business relations with him (and, accordingly, they are also beneficiaries of the oligarch's illegitimate market position). Public administrators are in a subordinate position to governmental actors because they are state employees and can be removed if they fail to comply with the formal rules (laws) or the informal commands of the captured politicians. Yet it is important to underline that even if there are permanent chains of patronal vassalage and **not only locally but countrywide**, state capture will remain partial: it will be composed of a high number of separate captures, not

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[56] Sajó, "Clientelism and Extortion: Corruption in Transition," 16.

[57] Klíma argues that what we call cronyism is "an instrument for pursuing the seizure of the entire state in terms of incremental control of the main pillars of the political system. Only then can the ultimate goal be accomplished, i.e. to exploit state resources at all levels and cement the holding of political power. In other words, party capture is a fundamental element and a precondition for the development of full-scale state capture." Yet Klíma distinguishes state capture by scope rather than the feature of coerciveness: cronyism may become countrywide, but it will not become state capture in our terms until it also becomes coercive (which it may). Klíma, *Informal Politics in Post-Communist Europe*, 26.

[58] Hellman, Jones, and Kaufmann, "Seize the State, Seize the Day," 760–63.

a full appropriation of the state by an informal network [→ 2.4.4]. Under such circumstances, pluralism prevails and **political competition may still continue**. The transfer of political power is still possible under constitutional circumstances, and the economic elite also maintains its relative autonomy as none of its members are indefinitely tied to certain political actors [→ 3.4.1.3].

The second type of coercive corruption is top-down state capture (Figure 5.6):

- **Top-down state capture** is a form of corruption where governmental actors collude with economic actors via the public administration, and they carry out corrupt transactions coercively and occasionally or permanently. Both the collusion and the corrupt transaction are initiated (demanded) by the administrative actor, and he is also the supplier.

Top-down state capture can be initiated by a single actor—such as a mayor of a municipal government—or by a group of actors—such as a party. In either case, **patronal subordination extends primarily to people in the public administration and secondarily to economic actors**. This implies a sequence of events: firstly, a person or a group enters the sphere of governmental actors; secondly, they patronalize that institution to be able to dispose over its public (coercive) instruments in a discretional manner; and thirdly, this power is used to patronalize certain economic actors. Naturally, there are economic actors who enter such relationships voluntarily, and those with activities not specific to the captured part of the public administration (a local government, certain ministries etc.) can decide not to enter into voluntary relations. As for those whose activity is specific, however, they need to accept the conditions set by the local patrons.

As a part of public administration is turned into a racket by its leaders (top-down), the hierarchy of their domain is filled up with their clients, resulting in **patronalization**.

Figure 5.6. Schematic depiction of top-down state capture.

The captured part of the state apparatus begins to be operated by the informal patronal network, systemically working by informal rules over formal ones.

Still, **top-down state capture faces several limitations** due to the fact that no patron possesses unconstrained political power in the entire polity. This limits every patron's ability to use the instruments of public authority: they can rule over only a certain part of the state, **limited to its formal competences**, and cannot patronalize other parts.[59] First, this makes linked actions of corruption, where the cooperation of several state institutions would be necessary, less attainable. Second, the patron's position is dependent on political turns. An opposition victory can easily remove him, making it practically impossible to sustain his patronal network any further. This is particularly true in post-communist countries where the competition of political parties is often the façade for the competition of patronal networks [→ 3.3.7]. Finally, the lack of a power monopoly means the patron can hardly disable institutional checks. Constitutional limits on power concentration as well as effective law enforcement have the ability to contain informal networks and prevent the patron from wielding exclusive political power and making the entire state his private domain.[60]

For **the last type of coercive corruption**, we borrow concepts from a phenomenon we have already defined—**the criminal state**. The difference is that the criminal state means the given pattern characterizes the entire country, while the criminal state pattern (Figure 5.7) may appear only locally as well:

- **Criminal state pattern** is a form of corruption where elite governmental actors collude with elite economic actors by using the entire public administration under them, and they carry out corrupt transactions coercively and permanently. Both the collusion and the corrupt transaction are initiated (demanded) by the administrative actor, and he is also the supplier.

The main difference between top-down state capture and a criminal state is **the possession of unconstrained political power in a given territory**. For with this power, a top patron can disable checks and balances and turn the (central or local) government into the business venture of his adopted political family. In Gambetta's terms, this is the only system where **the roles of the truster, fiduciary and corrupter are merged in the person of the chief patron and there is no "innocent" ultimate truster or central authority above him**. This sharply contrasts with state capture, which—following its partial nature—always implies the presence of an uninvolved ultimate truster on the top (who is betrayed by his fiduciaries).

Unlike the previous cases, where we distinguished local and countrywide scope of each pattern, we can distinguish **three forms of the criminal state pattern by their scope**. First, there is the **local** case, when the elite governmental actor is a mayor and he patronalizes a whole local government, turning it into a racket which is practically a "state in the

[59] Illustrative is the case of Zhou Yongkang, who built a racket within the Chinese state step-by-step as he gained higher and higher formal positions and could patronalize more and more parts of the state administration accordingly. See Zhu, "Corruption Networks in China: An Institutional Analysis," 36–39.

[60] Hale, "Formal Constitutions in Informal Politics."

state." The famous—though not post-communist—example of a **geographically limited patronal racket** is the case of Kevin White, the mayor of Boston for sixteen years (1968–84) who established a criminal state pattern in his municipality by patronalizing virtually all levels of Boston's local government.[61] Second, the criminal state pattern can be **countrywide when many local governments are turned into such patronal rackets**, becoming the dominant form of sub-sovereign governments in the given polity. Arguably, present day China features numerous sub-sovereign kleptocratic and mafia states, representing the criminal state pattern of corruption and eventually posing the risk of "mafiafication" of the party state [→ 5.6.2.3]. Finally, the criminal state pattern can **characterize the central government**, when it is the chief patron of the country who achieved a power monopoly and carries out a full appropriation of the state. This is what we originally called a criminal state, which is also one facet of the mafia state in patronal autocracy [→ 2.4.5].

Figure 5.7. Schematic depiction of the criminal state pattern.

Note: All governmental actors are subordinated to the chief patron, that is, the head of executive. We decided not to represent every governmental actor with circles for the sake of clarity.

The criminal state is built by the development of a single-pyramid patronal network. First, **actors of the public administration are deprived of their autonomy to make corrupt offers** to private actors or to accept bribes in exchange for favorable treatment. Instead, they are subordinated to the chief patron's will and treat favorably those who are designated from above, that is, the clients of the chief patron. Second, a single-pyramid means that the multi-pyramid scheme, which characterizes the politically competitive landscape of top-down state capture, comes to an end. When a regime is characterized by the criminal state pattern of corruption, that implies that political opposition, including formal parties

[61] Schabert, *Boston Politics*.

and NGOs, have been neutralized and essentially turned into what all formal institutions are for the informal network: façades.

Third, the building of the single-pyramid network **extends to the private sector** as well, subjugated by the legislative and regulatory means the chief patron now disposes over. Drawing upon his monopoly of power, the chief patron **breaks the autonomy of major entrepreneurs and oligarchs** aiming to discipline, domesticate and settle them into his own chain of command [→ 3.4.1.4]. A network of subcontractors and suppliers extends this patron-client relationship to the lower reaches of the private sector as well, which also means protection monies are collected from both elite and non-elite private actors [→ 6.2.2.2].

5.3.3. Corruption Types in Comparison: General Dimensions and a Case Study for the Transformation of Corruption

5.3.3.1. Separation of the spheres of social action and other dimensions

A summary of the main characteristics of the six types of corruption can be seen in Table 5.2. We added the dimension on the nature of corruption to the table which, based on existing corruption literature, extends a continuum from the small-scale, low-value transactions of private actors and non-elite members of the public administration in free-market corruption—that is, **petty corruption**—to the large-scale, high-value transactions of governmental actors in a criminal state pattern—that is, **grand corruption**.[62]

It may be objected that cronyism can also be "grand corruption," just as bottom-up state capture, whereas state organization collusion does not necessarily involve a higher amount of corrupt monies than cronyism. Our first answer to this objection is that our description is ideal typical, which means it does not aim at giving precise description for every case but points of reference for the analysis of those cases [→ *Introduction*]. The reason we believe state organization collusion ideal typically entails grander corruption than cronyism—our second answer—is that state organization collusion is **systemic**, whereby stable channels to funnel budgetary resources to private hands are built over an entire organization.

This leads to an important distinction. In corruption literature, "systemic" is used synonymously with "endemic" and refers to "corruption integrated as an essential aspect of the political, social and economic system."[63] This understanding, however, obscures the difference between cases when corruption is widespread and cases when corruption is made a system by an organizer from the top. For example, the former case can be socially accepted forms of free-market corruption, such as "gratitude money" in most of post-communist countries in Eastern Europe (doctors and nurses in state healthcare are regularly

[62] We are indebted to József Péter Martin for calling our attention to this aspect. Also, see Transparency International's definition of grand corruption in TI, "What Is Grand Corruption and How Can We Stop It?" Cf. Moody-Stuart, *Grand Corruption*.

[63] Beke, Cardona, and Blomeyer, "Political and Other Forms of Corruption in the Attribution of Public Procurement Contracts and Allocation of EU Funds," 27.

Table 5.2. Main characteristics of the six corruption patterns (with coercive corruption patterns in grey).

	Nature of corruption	Entry of corrupt parties	Distribution of corrupt transactions	Direction of corrupt action	Economic nature of corruption	Regularity and scope of corrupt actions	Medium of corrupt exchange
Free-market corruption	Petty corruption ↓	Voluntary	Non-centralized	Horizontal	Competitive	Occasional and partial	Bribe money
Cronyism		Voluntary	Non-centralized	Horizontal	Competitive	Occasional / permanent and partial	Bribe money
State organization collusion		Voluntary	Non-centralized	Vertical (top-down)	Oligopolistic / locally monopolistic	Occasional and partial	Bribe money
Bottom-up state capture		Coercive	Moderately centralized	Vertical (bottom-up)	Oligopolistic / locally monopolistic	Occasional / permanent and partial	Bribe money
Top-down state capture		Coercive	Partially centralized	Vertical (top-down)	Oligopolistic / locally monopolistic	Permanent and partial (vassal chains)	Protection money
Criminal state pattern	Grand corruption	Coercive	Centralized	Vertical (top-down)	Monopolistic	Permanent and general (vassal chains)	Protection money

given extra money, without which one can barely get decent service).[64] These transactions are scattered, made occasionally and they are face-to-face, with each pair of actors making corrupt transactions without being part of a corruption network. It is crucial to distinguish such cases from state enterprise collusion, bottom-up and top-down state capture, and the criminal state pattern. For in those types, corruption is systematized by someone, that is, organized as a group function or network with permanent relations and a complex corruption scheme. Hence, it is worth making the following differentiation:

- **corruption is endemic** if it becomes a social norm—that is, an informal understanding that governs the behavior of social actors—without the organizing action of a central will and resulting in a large number of occasional transactions between various people;

- **corruption is systemic** if it is developed into a scheme—that is, a corrupt machinery of permanent relations—due to the organizing action of a central will and resulting in regular transactions between certain people.

[64] Kornai, "Hidden in an Envelope: Gratitude Payments to Medical Doctors in Hungary"; "Patients Bearing Gifts."

If we want to define **opposites** for endemic and systemic, we may use the terms **"sporadic"** and **"non-systemic,"** respectively. As Jean Cartier-Bresson explains, in cases of non-systemic corruption "there are no rules of the game and the exchange is unstable by nature and leads to bargaining directed by impersonal agents who do not know each other. In such conditions, there is strong uncertainty about the price of the corrupt transaction and uncertainty about the result."[65] In contrast, in systemic cases corruption is elevated into "a political, economic and social exchange. The organization of corruption by social networks then prevails and enables a real institutionalization of procedures."[66]

Another feature that appears in Table 5.2 is **the medium of corrupt exchange**. Here, we need to differentiate two dominant types of payments: bribe money and protection money.

- **Bribe money** is the payment, monetary or otherwise, that is given informally and voluntarily in exchange for the supply of a corrupt service.

- **Protection money** is the payment, monetary or otherwise, that is given informally and non-voluntarily upon the extortion of a patron.

Bribe money may include any kind of bribes or kickbacks, paid regularly in free-market corruption and cronyism. Protection money is extorted from the subordinated servers in the private sector and the public administration, who may not receive any extra payment for facilitating corruption but are not fired from their job or are not prosecuted in politically selective law enforcement. While bribe money involves primarily monetary transactions, protection money in top-down state capture or a criminal state pattern involves primarily favors, fulfillment of specific duties, by the subordinated actors.

This leads to the **time dimension of corrupt exchanges**. In free-market corruption, collusion ends with the corrupt act, whereby both participants are paid off. In a successful case, the private actor has been given the corrupt service and the public administrator, the bribe. In cases of cronyism, payment for the parties does not need to happen at the same time. Indeed, the literature notes that the relation between cronies can usually be described by reciprocity, involving "an act by party A to give something of value to party B without knowing when or if B will reciprocate, or to reciprocate an earlier favor given by B."[67] Thus, **cronyism** can be understood as **mutual investment in favors**, given and accepted voluntarily by both parties. In a criminal state pattern, the situation is different because it is characterized by patron-client relations, where clients are coercively subordinated to patrons. In a developed single-pyramid patronal network, the "payment" of a front man, in form of companies which are *de jure* given to him, is not reciprocated immediately to the chief patron. But as the chief patron has *de facto* power over the front man's property, he can dispose over them at a later date.

Closely related to this are **the dimensions of autonomy**—which refers to the free entry of the participants into corruption**—and dependency**—which refers to the exit options

[65] Cartier-Bresson, "Corruption Networks, Transaction Security and Illegal Social Exchange," 466.

[66] Cartier-Bresson, "Corruption Networks, Transaction Security and Illegal Social Exchange," 466.

[67] Khatri, Tsang, and Begley, "Cronyism," 62.

of corrupt participants. When corrupt transactions are occasional, as they are in voluntary forms of corruption, autonomy of actors is fully retained and no chains of dependency are formed. **In cases of regular transactions, there is a higher chance of dependency,** especially because the more illegal acts are committed, the more the parties can blackmail each other, forcing them to continue to make corrupt exchanges. Also, **coercive collusion immediately implies dependency**, for there even the entry of one of the participants was involuntary. As for autonomy, the partial nature of captures allows some participants to retain a relative autonomy, a bargaining position and a competitive edge. But **in a criminal state, the chief patron is the monopolist of autonomy**. This means that, first, he is the only one who *de facto* answers to nobody in the polity and, second, who can delegate partial autonomy, with limited authorization, to sub-patrons in the patron-client network. Thus, the **sub-patrons are both patrons and clients**: clients to the chief patron but patrons to the lower-level clients in the adopted political family. Crucially, when talking about comparison of corruption types, such cases are not characterized by the bottom-up fashion of private actors approaching the political sphere with their claims, but rather the political regime that extorts the private actors as well as the taxpayers by way of contracts and, in case of a criminal state, privileges ensured to its subjugated oligarchs.

Finally, **in cases of free-market corruption and cronyism, the collusion of spheres of social action is only occasional and partial**. This is why we can, in spite of (sporadic) cases of voluntary corruption, treat regimes with corrupt states as ones with dominantly separated spheres of social action. This is the case because, just as in case of lobbying, the rewards of political actors ideal typically remain within their sphere of social action, meaning political actors do not become also market actors. As long as corruption does not involve permanent relations, no permanent collusion of the spheres of social action takes place.

As soon as permanent corruption relations are formed, whereby the patron, who is in one sphere of social action, gains power in another sphere of social action as well through his client's formal position [→ 3.2], **the collusion of the spheres of social action becomes a permanent, potentially system-constituting feature.** This is the case in state organization collusion and the three types of coercive corruption. **Members of the economic elite**, formally separated from the sphere of political action, get informal political power and **become oligarchs**. **Members of the political elite**, formally separated from the sphere of market action, get informal economic power and **become poligarchs**. True, the strength of collusion is not the same in every case; in cases of capture, which are partial, only some of the actors in the economic sphere (or the political sphere) become oligarchs (or poligarchs), meaning that there remain parts of each sphere that are not colluded. **It is only in the case of a criminal state pattern when there is a complete collusion of the spheres of economic and political action**, where the chief patron becomes the main poligarch of the country and gains control over the entire economy through his single-pyramid patronal network.

5.3.3.2. A typology of corruption brokers

Talking about ideal typical corruption schemes, we have indeed simplified the picture by depicting relations as direct contact between the actors. The abstraction was necessary for the sake of clarity, so that the description of the main characteristics of the corruption types is not obscured by the overabundance of details. But at this point we may elaborate and say

that, while direct contact between actors might exist, related parties often communicate, and more generally manage the corruption network, indirectly, with the help of mediating actors. Indeed, we have already introduced this type of actor in Chapter 3—the **corruption broker**. Recall that a corruption broker connects participants of a corrupt transaction as a mediator or "legalizes" the illegitimate business deal as a legal expert [→ 3.4.2].

Corruption brokers—and brokers in general—are **necessitated by so-called structural holes**, that is, a distance stemming from the formal/legal position of the actors who wish to be involved in corrupt transactions.[68] As Jancsics explains, corrupt deals "have significantly higher transaction costs than legal economic transactions, since the actors have to secretly find their corrupt partners. Participants of corruption cannot get help from legal institutions such as the police or the judiciary, to enforce the corrupt deal if the partner breaches the agreement. These factors make corruption exchanges especially risky. Corruption brokers have important roles to reduce the risk and uncertainty and, thus, the transaction cost of corruption. They help introduce corruption partners to each other and act as a guarantor in the case of low-level trust between the partners. In some cases, they provide full protection for their principals by hiding their identity of the other party."[69]

While structural holes **can be found in any type of corruption**, different forms involve different structural holes and, thus, different types of brokers are employed. Table 5.3 outlines a typology of corruption brokers, specifying (1) the corruption type they are specific to; (2) their principals, that is, the ideal type of the person who employs them; (3) the structural holes which necessitate brokerage; (4) their basic functions; and (5) the actors the brokers integrate into the network to bridge the structural hole and make the corrupt transaction, as well as the extraction of corrupt profits, possible.

The first type to be defined is the freelance broker:

- **Freelance broker** is a corruption broker who does not belong to any specific power network (political, economic, or patronal). In other words, he can be employed by any kind of person regardless of power affiliations. His main function is linking corrupt supply and demand in lower levels of state administration.

In the case of free-market corruption, the illegal nature of corrupt transactions constitutes a **structural hole between corrupt supply and demand**. The private actor does not know which public administrator should be corrupted (that is, who can be corrupted and who is trustworthy enough), whereas public administrators cannot advertise their corrupt services to the costumers. This is where freelance brokers enter and link corrupt supply and demand, making a functioning corruption market possible.[70] Freelance brokers might be employed in non-nepotistic cases of cronyism, too, when an elite private actor wants to approach the political elite to make a one-time, occasional deal, but does not know who to approach or needs guarantees that the transaction will be made as arranged and that he will remain anonymous.

[68] Burt, *Structural Holes*.

[69] Jancsics, "From Local Cliques to Mafia State," 131–32.

[70] Jancsics, "'A Friend Gave Me a Phone Number.'"

Table 5.3. A typology of corruption brokers. Source: modified from Jancsics (2017).[71]

	Corruption type	The broker's principal	Structural holes between…	Basic function(s) of brokers	Actors the broker integrates into the network
Freelance broker	Free-market corruption, cronyism	Private actor (elite or non-elite), public administrator (non-elite)	Corrupt demand and supply	Linking corrupt supply and demand	n.a.
Crony's representative broker		Private actor (elite), public administrator (elite), governmental actor (elite or non-elite)			
State organization's representative broker	State organization collusion	Public administrator (elite)	Systemic corruption and legality	Disabling control mechanisms	Private entrepreneurs (subcontractors), money-launderers
Oligarch's representative broker	Bottom-up state capture	Private actor (elite)		Disabling control mechanisms, supervising corrupt transaction	Politicians, money-launderers
Poligarch's representative broker	Top-down state capture	Governmental actor (elite or non-elite)		Disabling control mechanisms, supervising corrupt transaction	Private entrepreneurs, money-launderers
Gatekeeper	Top-down state capture, criminal state pattern	Governmental actor (elite)		Hindering legal accountability	n.a.
Corruption designer		Private actor (elite) or governmental actor (elite)		Formalize illegitimate business deals	Private entrepreneurs (subcontractors), money-launderers
Economic front man		Private actor (elite) or governmental actor (elite)	Oligarch's / poligarch's wealth and formal position	Holding illegal wealth, hindering economic accountability	n.a.

The opposite of a freelance broker is a representative broker, of which four subtypes are mentioned in the table:[72]

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71 We are indebted to Dávid Jancsics for checking an earlier version of this table and giving suggestions about it.

72 Jancsics, "From Local Cliques to Mafia State," 131–36.

- **Representative broker** is a corruption broker who belongs to a specific power network (political, economic, or patronal). In other words, he is employed by people of a specific power affiliation or sometimes one certain person, oligarch or poligarch.
    - **Crony's representative broker** is a representative broker who is employed in cronyism by either side, the private or the public actor. His main function is linking corrupt supply and demand in higher levels of state administration.
    - **State organization's representative broker** is a representative broker who is employed in state organization collusion by the elite public administrator who initiates the corrupt scheme. His main function is disabling control mechanisms, while he is also used to involve money-launderers and private entrepreneurs who become the regular subcontractors of the corrupted state organization.
    - **Oligarch's representative broker** is a representative broker who is employed in bottom-up state capture by an elite private actor (oligarch). His main function is disabling control mechanisms, while he is also used to connect money launderers and politicians, who receive the corrupt offers of the oligarch through the broker who also supervises the corrupt transactions.
    - **Poligarch's representative broker** is a representative broker who is employed in top-down state capture by a governmental actor (poligarch). His main function is disabling control mechanisms, while he is also used to involve money-launderers and private entrepreneurs, who receive the corrupt offers of the poligarch through the broker, who also supervises the corrupt transactions.

Basically, we defined representative brokers for the four consecutive corruption types. **Crony's representative broker** is the most similar to freelance broker as he also arranges occasional transactions between strangers. The two differences are that (1) a crony's representative broker is not freelance, as he is employed for regular service by a concrete actor, and (2) he links corrupt supply and demand in higher levels of the social hierarchy.

The three other types of representative brokers cover forms of systemic corruption, namely state enterprise collusion, bottom-up state capture, and top-down state capture. In each of these cases, the actors know who to corrupt and, during captures, they might even employ coercion to develop their corrupt scheme. **The structural hole which necessitates the broker is between the existence of the scheme and the effective legal code**, which means that the brokers are needed to disable control mechanisms. "As corrupt networks grow," Jancsics writes, "they face increasing external risks from different institutions, such as the judiciary, the tax authority, different audit organizations, and the media. One of the main tasks of representative brokers is to connect to these external organizations and turn off their control mechanisms. It means that the most powerful actors […] have 'insider men' in many places. These brokers are able to protect the corrupt network from the authorities or block ongoing investigations."[73]

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[73] Jancsics, "From Local Cliques to Mafia State," 135.

Another function of brokers in systemic patterns of corruption can be **hiding corrupt monies by involving (international) money-launderers**.[74] As opposed to cronyism, where there is no systemic siphoning of public monies that would necessitate a built-out laundromat scheme,[75] in systemic cases such schemes also need to be part of the corruption network. Indeed, this function of corruption brokers can be seen as a specific case of disabling controls, however, here **they involve new actors in the network**, namely those who offer the service of money laundering.

The representative brokers of oligarchs and poligarchs, employed in bottom-up and top-down state capture respectively, represent the interests of their principals in their sphere of informal influence. They help integrate actors, politicians or entrepreneurs, into the corrupt network, and they also fulfill the role of supervisors of the fulfillment of corrupt informal "contracts" and the smooth flow of favors in default of formal checks. Basically, as such representative brokers have influence over control mechanisms, they can initiate, to a limited degree, selective law enforcement: **they disable controls against trustworthy corrupt participants and activate them when someone breaks his word**. "If the [corrupt] payment is delayed, the corrupt organizers can impose different types of sanctions against the [private actor]: authorities may reject the firm's invoice, they may freeze its bank accounts, or audit organizations may start an unexpected investigation."[76]

Brokerage in coercive corruption is also different from **non-coercive corruption** because, in the latter case, both **parties may have their own brokers** who represent them. **In cases of coercion**, however, or when voluntary ties of mutually beneficial trade are replaced by coercive patron-client chains, **it is only the dominant actor who has a broker** while subordinates (ideal typically) lose their bargaining power and must obey the patron's orders, enforced by coercion.

When we reach a stable system of top-down state capture—such as in a local government—or a criminal state, three other types of brokers appear. Two of them have already been discussed in the previous chapter, right after we defined corruption broker in general:

- **Gatekeeper** is a corruption broker inside the public administration who is employed by a patron (in an informal patronal network). His main function is to hinder legal accountability, that is, to guarantee the bureaucratic background and protection of illegitimate deals.

- **Corruption designer** is a corruption broker outside the public administration who is employed by a patron (in an informal patronal network). Corruption designers can be individuals, like in cases of corruption brokers managing (international) laundromat schemes, or firms, the main function of which is to facilitate the process of transferring governmental monies to private hands.

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74 Cooley, Heathershaw, and Sharman, "Laundering Cash, Whitewashing Reputations."

75 It is certainly possible that a crony also employs a broker to launder money from a single transaction, but we opine that is not ideal typical.

76 Jancsics, "From Local Cliques to Mafia State," 136.

The third (and final) corruption broker has not been considered a broker before: the economic front man. Indeed, **economic front man** can be interpreted as a special type of representative broker, who **bridges the structural hole between the *de jure* position and the *de facto* wealth of the oligarch/poligarch**.[77] Furthermore, as Jancsics observes, an economic front man also has the function of hindering economic accountability, meaning that he "may fulfill the 'fall guy' function that buffers risks between him and the oligarch. When things go wrong, the [front man] will be responsible for the tax, salary, or mortgage debts of the shell company, while the real owner is protected. There are many examples of the scheme when the [front man's] company […] goes bankrupt and cannot compensate other entrepreneurs and suppliers. The affected firms will never get their money, since the shell company does not have any assets, being emptied before the filing of bankruptcy."[78]

5.3.3.3. From corruption risk to corruption certainty in public procurements: the case of Hungary

While a discussion about the ideal types of corruption in more abstract terms—as we have done up to this point—should lay a solid foundation for the analysis of corruption, it is worth to take a closer look at **examples** where the differences of corruption types can be illustrated. First, we give a more general illustration, describing public procurement procedures and explaining how a certain variable—the level of overpricing—is indicative of different types of corruption. Second, we follow up with the case of Hungary between 2009 and 2015, where data on public procurements show the signs of the operation of a criminal state.

The reasons we choose Hungary as a case study are three. First, Hungary is a post-communist country that saw in the above-mentioned period a shift from patronal democracy to patronal autocracy, one of the most important signs of which is systemic corruption in the form of a criminal state. Second, while post-Soviet patronal autocracies often rely on natural resources as a source of distributable rent [→ 7.4.6.1], Hungary is a resource-poor country. Thus, patronal actors must rely on resources such as EU-funds and state investments, both of which are extracted through the system of public procurements [→ 7.4.6.2]. Third, and perhaps most importantly, Hungary has a feature that other patronal autocracies lack: availability of big data on public procurements. Usually, as there is no direct data on the occurrence of corruption, researchers attempt to show it either by discussing institutional mechanisms, through case studies, or through the perception of corruption as measured in public opinion polling of businesses and the general public. Yet, despite the utility of a model composed of a mosaic of case studies and legal analyses, there is still a need for a method that could verify the existence of a criminal state type of corruption through a large sample of individual corrupt transactions. Such ambition, however, faces several limitations, the most important of which is that broader procurement activities that are subordinate to these decisions are not normally available in databases that can be examined for research purposes. Yet the big data research done by István János Tóth of the Corruption Research Center Budapest (CRCB) offers a unique opportunity within

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[77] Jancsics, "From Local Cliques to Mafia State," 140–42.

[78] Jancsics, "From Local Cliques to Mafia State," 141–42.

the post-communist region to detect signs of a top-down corruption pattern through a database of over 120,000 public procurements in 2009–2015.[79] Below we rely on the calculations of Tóth and his colleagues.

Describing first public procurements in more general terms, **the process of carrying out various public policy objectives through public tenders** can be divided into the following three stages:[80]

1. **pre-bidding phase**, which includes needs assessment (public policy design and project design), and public procurement design;
2. **bidding phase**, which includes invitation to tender, the application phase, and contract awarding;
3. **post-bidding phase**, which includes appeals (lodged at the public procurement commission or at court) and occasional investigations by government control institutions, which can impose legal consequences (Government Control Office, State Audit Office, Public Prosecutor).

In a liberal democracy, these stages are separated from each other not only in terms of their content but also in regards to the persons representing and executing them. Although the stages concern the different layers and areas of the government, in a democratic setting the separation provides transparency as well as enforcing normative procedures and fair competition within the government and from the review bodies that are independent from it.

Under such conditions, **the dominant terrain for corrupt transactions is the bidding phase**. This is where the demander of a corrupt transaction—the applicant—and the supplier of a corrupt transaction—the assessor—meet each other. The offer is voluntary, and the value of the service is paid through a bribe. In such a case, it is closer to **free-market corruption**, as the expected tender winner is not a person or company that has been pre-selected from above, and there is some competition regarding the amount of the bribe as well. The bribe or extra income paid by the client is sometimes included in the **overpriced bid**. Yet the other applicants competing for the tender can underbid the price that has been agreed-upon by the actors in the corrupt transaction, which sets a scale for it. The assessor, however, cannot accept a sky-high bid during the corrupt transaction—to each side's mutual benefit—since the losers, or those disqualified from bidding for any variety of reasons, can appeal the decision and win a ruling from the public procurement commission or in court (post-bidding phase). Thus **the scale of overpricing is regulated and kept in check** in a market-based way by limits that are created as a result of such appeals against arbitrary deals.

Overpricing can increase if the collusion is not only between, for example, the applicant and the assessor but also with the tender writer, or by manipulating the deadline

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79 CRCB, "Competitive Intensity and Corruption Risks." For an analysis different from ours, see Fierăscu, *Redefining State Capture*.

80 Beke, Cardona, and Blomeyer, "Political and Other Forms of Corruption in the Attribution of Public Procurement Contracts and Allocation of EU Funds," 29.

and technicalities (pre-bidding phase). This is a case of **cronyism** or **bottom-up state capture** that can hinder the operation of the independent review bodies, since the very way the tenders are written can "legally" eliminate a significant portion of the competitors. Also, in cases of **state organization collusion** or **top-down state capture**, the initiator of corruption has access to the phases of public procurements on that limited territory which he administers, including bidding and perhaps the pre-bidding phase as well. But these forms of corruption, although they may facilitate tenders in which a desired bidder will win, **cannot result in a significant increase in overpricing as the review bodies may still reinstate applicants** who have been illegitimately excluded from the competition.

Out-of-control overpricing, on the other hand, can only occur under the conditions of a **criminal state**, where the initiator of systemic corruption, the chief patron, disposes over all three phases of public procurements. In a mafia state, a centralized guiding hand monitors and coordinates the stages of tailoring the project planning, invitation to tender, and assessment to a specific person/company. It also ensures that those eliminated from the tender are unable to win an appeal, while also **guaranteeing that the inspection and law enforcement agencies are unable to levy sanctions** on the writers and assessors of the tender because of their biased decisions. They simultaneously also eliminate free-market corruption; after all, it is not the assessor, but the review and managing agencies in their totality that award the winner of the tender. **The assessor is no longer bought off, but rewarded by being able to retain his status.**

What facilitates out-of-control overpricing is either that the activity itself is difficult to standardize (e.g., for IT procurement), or, in case the commission is more prone to standardization (e.g., the construction industry), through the post-bidding increase of funds, due to "unforeseen problems" or "additional tasks." (Naturally, in this system of centrally-directed collusion, selected winners are not disqualified from later tenders when they are unable, even by chance, to estimate correctly in advance the extent of work to be done.)

Indeed, **the term "corruption risk,"** widely used in corruption literature and by watchdogs, **loses its meaning in such an environment.** For the word "risk" assumes the state, subordinated to the principle of societal interest, attempts to serve the public good via public tenders, and there is a risk that corrupt private actors and deviant public administrators will prevent this goal. Instead, in a criminal state we can speak about **"corruption certainty,"** where corruption is the norm and the public goal is the deviance. Indeed, in a criminal state it is more meaningful to talk about the risk that a deviant public administrator might serve the public good instead of smoothly carrying out the corrupt transaction.[81]

To sum up, **out-of-control overpricing is only possible with a centrally-controlled, state-run criminal organization—the criminal state**. Thus, the scale of overpricing can serve as an indicator of the functioning of this top-down pattern, one that helps through quantitative methods to distinguish this regime, patronal autocracy, from other, more "or-

[81] Naturally, in a criminal state there still exists corruption risk in the sense that deviant public administrators might serve their own private gain instead of that of the adopted political family [→ 5.3.4.2]. But the term "corruption risk" still needs to be used very carefully, because the case is not that a public-good serving public office may be abused for private gain—as it is assumed by corruption-risk researchers—but a corrupt public office may be corrupted in another direction.

dinary" corrupt regimes. For the former, it is a constituting element that defines the system, while for the latter it is only an unpleasant side effect.

Having described how different corruption patterns can infect different phases of the public procurement procedure, we may turn to **the case of Hungary**. However, we should first mention that a limitation of verifying the existence of a criminal state type of corruption comes from **the changes and manipulation of Hungarian public procurement law after 2010**, which has also narrowed the scope of public spending not affected by politically motivated, discretionary decisions.[82] This indeed is a logical corollary of the established criminal state for public procurements: the limit of public funds that can be spent without requiring a tender has been raised; the bidding period has been reduced; and cost makes up only 50% of the award criteria, while the rest is awarded by the politically-instructed assessment committee based on so-called qualitative (i.e., subjective) criteria. All of this has increased the opportunity for manually-controlled government orders and clientele building in public administration and large state distribution systems.[83]

Another dimension of this phenomenon is that after 2010 low- and mid-level officials are no longer freely authorized to engage in corruption. Municipal institutions and authorizations have undergone state centralization and become subject to political monitoring from higher-ups to such an extent that the freedom of such low-level corruption has been appropriated from them, and the right to exercise it granted instead to the central authority.[84] For major investments, however, the government has nearly unlimited power to officially designate an investment of economically-strategic importance, or prioritize it for national security reasons. These priority projects are exempted from regular public procurement procedures.[85]

First, without presupposing we actually deal with a criminal state and corruption certainty, let us take a look at **the change of corruption risk**, measured traditionally by the presence of competition and public notice. Here, we can see a **drastic increase** after 2010. As Figure 5.8 shows, the risk indicator for public procurements related to EU funds was 0.21 in 2009, grew to 0.4 by 2011 and reached its peak at 0.54 in 2014. However, though this fact in itself provides the possibility to assume a systemic, qualitative change in public procurements, in theory it could also be explained simply by the extent of the occurrence of common corruption or state capture, both centrally directed and non-organized.

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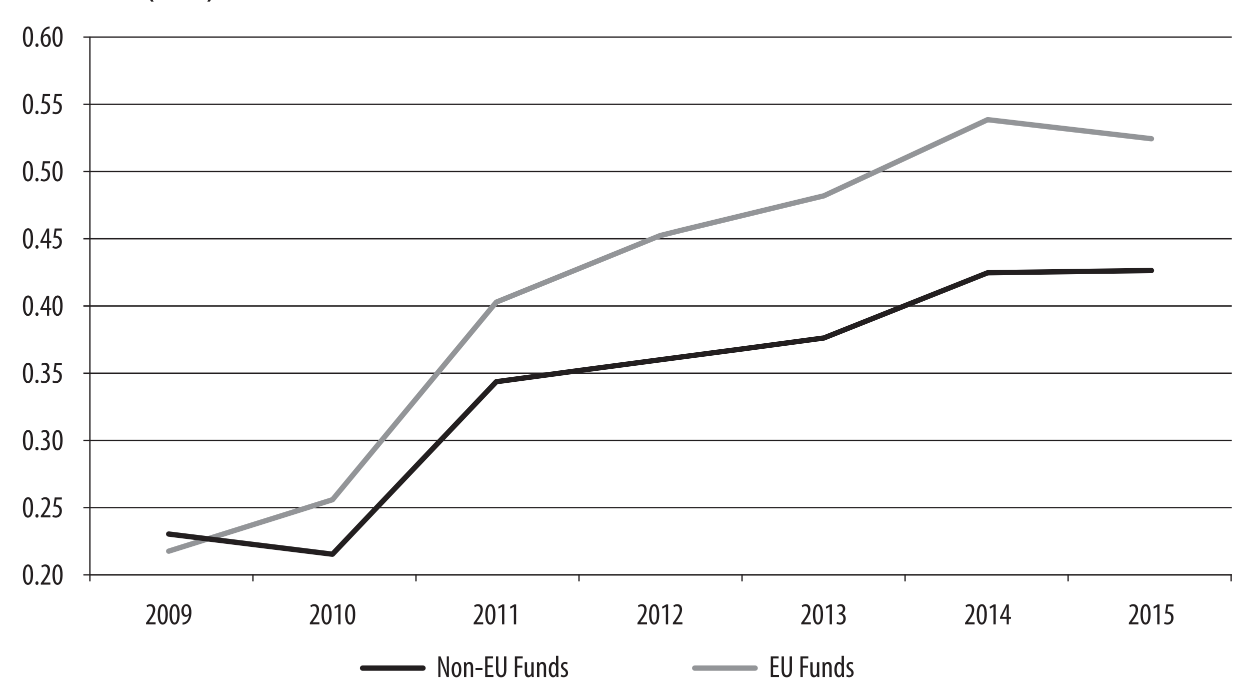
82 TI, "Black Book," 18–29.

83 TI, 18–29.

84 Hegedüs and Péteri, "Közszolgáltatási reformok és a helyi önkormányzatiság" [Public service reforms and the status of local governments]; Magyar, *Post-Communist Mafia State*, 131–32.

85 TI, "Black Book," 28. Also, the situation has further moved in the criminal state direction since the end of our research period. In 2016, the government has given itself the direct authority to approve tenders exceeding 300 million forints, and in late 2018 several centrally controlled agencies were set up to manage every municipal as well as governmental tender above 700 million forints in construction, sport, and IT sectors. Szabó, "Purgatorbánium."

Figure 5.8. Corruption risk in public procurements in Hungary, 2009–2015 (N = 118.843). Source: CRCB (2016).

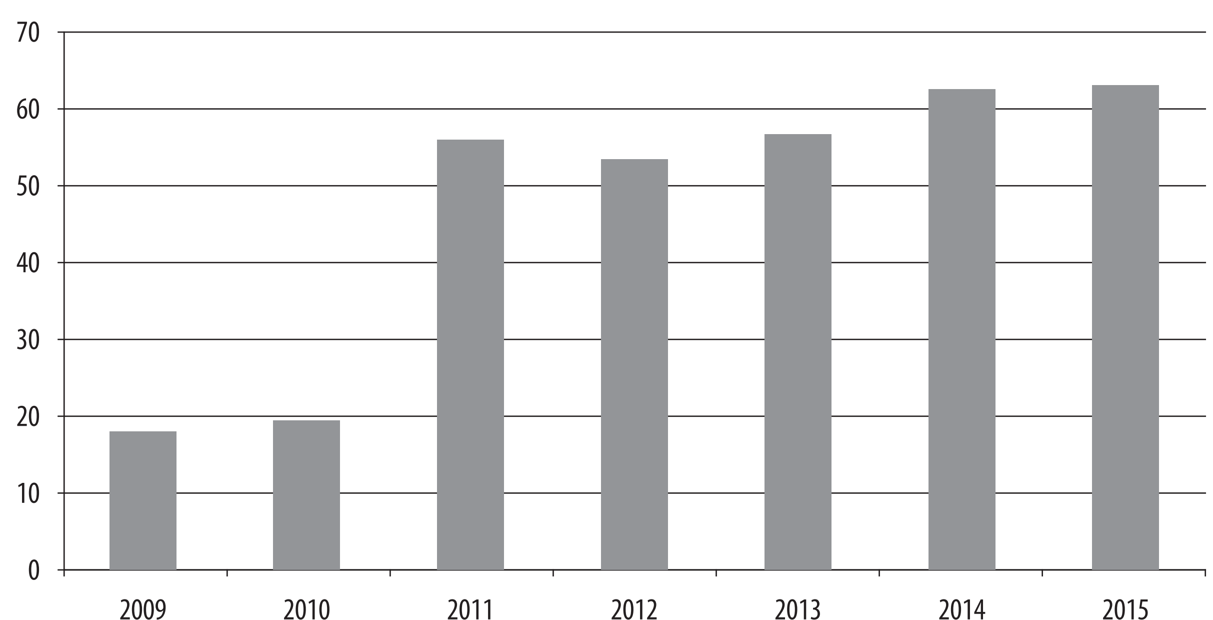


Explanation: The value of the corruption risk indicator is 0 if there was some type of strong competition during the public procurement process and it was preceded by a notice, and 1 if the public procurement occurred without a notice and without competition. A value of 0.5 was assigned if only one factor—either competition or a notice—was missing.

Second, we may take a look at **the change in the proportion of non-advertised invitations to tender**. CRCB data shows that while less than one-fifth of all invitations to tender were unadvertised in 2009, this had become more than four-fifths by 2015 (Figure 5.9). Such a dramatic increase in the rate of unadvertised tenders would necessitate decisions from the mid-level of the public administration apparatus at a minimum. At the very least, this can be understood as an evolutionary phase of bottom-up state capture, since the bulk of non-advertised public procurements presume the existence of smoothly-operating channels of corruption.

From the economic side, an examination of overpriced public tender bids suggests a difference between the bottom-up state capture and the criminal state with respect to advertised and non-advertised public procurements. Indeed, the decision as to whether it should be advertised or non-advertised, or whether open, negotiated, or restricted tenders should be specified for EU or state funds, are decisions made at the government level. If the government finds that certain types of public procurements result in a large number of overpricing and partial deals, then it theoretically possesses all the necessary means to be able to steer tenders towards the direction of an open and advertised application process. Considering that the submission deadlines can be unrealistically short even for advertised tenders, it can be concluded that some mechanism allows the eventual winners to receive regular information required for the tender submission before its notice is posted. This could even be called "tender shorting." And this is before a discussion of invitations to

Figure 5.9. Proportion of public procurements without advertised tenders as a percentage of all public procurements in Hungary, 2009–2015 (N = 121.849). Source: CRCB (2016).



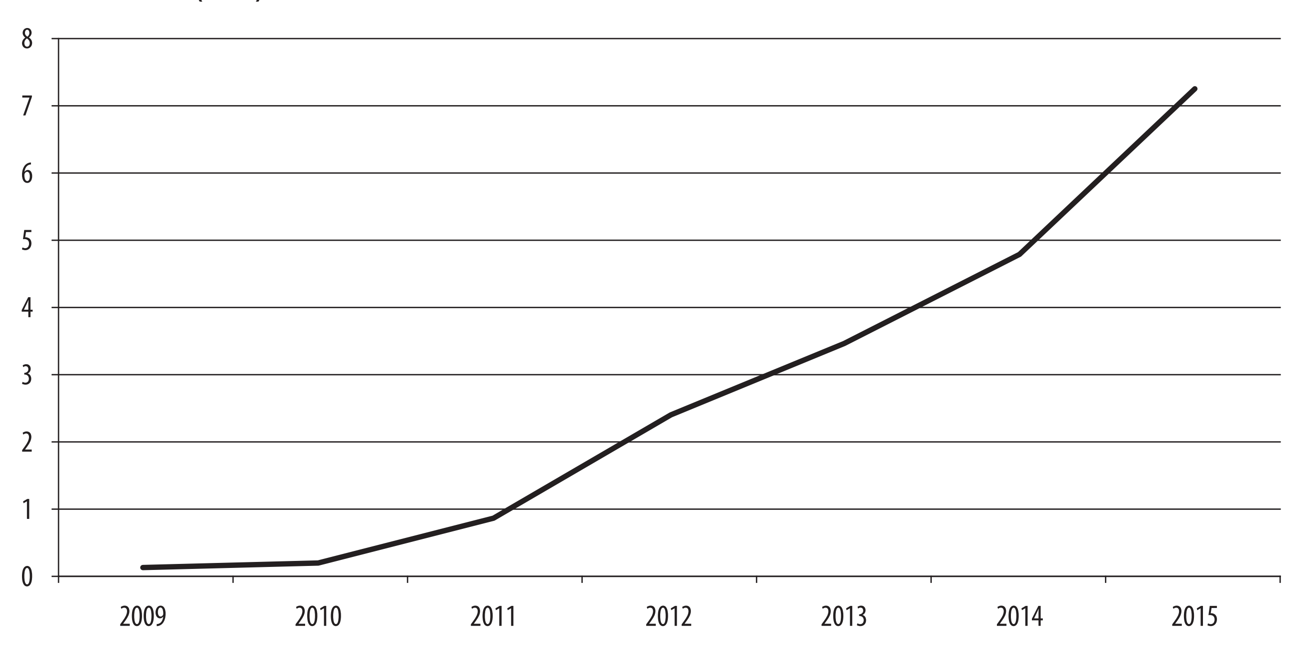
tender and technicalities that are custom-tailored to an individual or company [→ 4.3.4.2]. Thus, the technical requirements of the tender outline the specifics of a bid that has already been selected to win. This is not a series of isolated incidents, but a wide-scale practice approved from the top.

However, this phenomenon might still fit into the bottom-up or top-down state capture pattern, as the collusion of the tender writer and assessor on the one side and the applicant on the other are sufficient. But the **out-of-control overpricing**, as demonstrated in Figure 5.10, has raised the rate of overpriced bids by several orders of magnitude for the bulk of these cases, cannot be explained through the concept of partial capture.

The prices for public procurement contracts show a much stronger level of distortion in 2015 than at any time prior. This process distorts the bids so far from normal market prices that it cannot be explained simply by a qualitative improvement or just the extent of corruption. Its scale likewise cannot be explained by an increase in the role of inherently more corrupt product markets within all public tenders. **The increase in corruption can be much better explained, not as the result of a spontaneous, free market process, but as the result of the organizing action of a central will.** Thus, these indicators speak to how free-market corruption risk is replaced by the certainty of a state-run criminal organization organized from above.[86]

[86] According to Tóth and Hajdu, the introduction of a new procurement type with low transparency but relatively simple administration is another important factor underlying this tendency. The Hungarian Public Procurement Law was changed in 2011 to allow such procedures below the value threshold of 25 million forints, resulting in increasing price distortion and increasing risks of (unauthorized as well as authorized) corruption. See Tóth and Hajdu, "Versenyerősség, társadalmi veszteségek és a 25 millió forintos értékhatár rejtélye" [Intensity of competition, social loss and the enigma of 25 million HUF threshold]."

Figure 5.10. Price distortions for Hungarian public procurements in Hungary, 2009–2015. Source: CRCB (2016).



Explanation: The mean squared error (MSE) of contract prices of Hungarian Public Procurements from the theoretical (Benford's) distribution by year, first digits, 2009–2015, N = 123,224.

We may finish this case study by **an actual metric of corruption certainty: the odds of companies of the adopted political family winning**. As Tóth explains, if we know how many times a company wins and loses when it comes to public procurement, we can determine its winning chance by a simple formula (odds = number of tenders won / number of tenders lost).[87] According to this metric, **the companies of Lőrinc Mészáros, Orbán's main economic front man** [→ 5.5.4.3] are the best in the construction industry: when they enter competition, they have the highest chance of winning (odds: 9.9). This number is much higher than that of well-renowned foreign-owned firms, such as Colas (1.78), Strabag (2.57) or Swietelsky (1.61). If we look only at projects funded by EU funds, Mészáros performs even better, with **a 28-fold chance of winning these tenders between 2011 and 2018 (there are two lost tenders against 56 wins)**. Also, if we look at how odds have changed over time, we find that while the odds of winning for major players in the field of construction procurements have hardly changed, Mészáros' companies skyrocketed in 2017–2018 and have a 46-fold chance (only one lost tender against 46 wins).[88] These data do not reflect the "risk" but the certainty of corruption—the only risk that can be reasonably raised is the risk that Mészáros would lose. When the state is a mafia state, it means that it is based on the twin motives of power concentration and personal-wealth accumulation: this is the benchmark for analyzing action in such an environment, not the

[87] We are indebted to István János Tóth for making the exact numbers of won and lost tenders available to us.

[88] Tóth, "Nyolc ábra egy magyar csodáról" [Eight figures on a Hungarian miracle].

ideal of neutral political actors dominantly serving the common good and deviant public administrators occasionally abusing their power for private gain [→ 7.4.7].

5.3.4. Corruption Measurement, Criminal Ecosystem, and the Role of Corrupt Monies in Regime Survival

5.3.4.1. A critique of global corruption indicators

Similarly to hybridology, which either disregards patronal networks or understands them as deviance from the democratic ideal, **corruption research also usually presumes that corruption is deviance** which governments and formal institutions attempt to eliminate in pursuit of effective and more rational governmentality.[89] On the one hand, this implicitly assumes the supremacy of the formal over the informal, that is, that public officials act and think primarily in accordance with their legal position and illegal abuses of power may happen only secondarily. On the other hand, this approach is similar to that of neoclassical macroeconomics, which assumes that the state necessarily runs on the principle of societal interest and wants to reduce the misuse of public funds accordingly. Such presumptions makes many traditional accounts of corruption research, including the ones which **global corruption indicators** are based on, unable to assess most of the previously described corruption types beyond free-market corruption. Indeed, these indexes **are inadequate to measure the specificities of corruption in the post-communist region.**

To substantiate our point, it is worth taking a closer look at one of the most popular indicators, Transparency International's **Corruption Perceptions Index (CPI)**.[90] CPI is a composite index published annually for most of the world's countries. As we already mentioned, TI's general definition of corruption is "the abuse of entrusted power for private gain" involving "public officials, civil servants or politicians."[91] However, in spite of the broad definition, TI is indeed concerned with a more narrow range of corruption types. More specifically, the phenomena CPI attempts to capture may be divided into three groups. First, there are general instances of corruption where it is not specified who initiates the abuse or whose private gain is served. These include "diversion of public funds," or "prevalence of officials using public office for private gain." Second, there are specific instances like "bribery," "meritocratic versus nepotistic appointments in the civil service" and "state capture by narrow vested interests." Finally, the largest group of aspects CPI focuses on is institutional guarantees: "ability of governments to contain corruption," "adequate laws on financial disclosure," "legal protection for whistleblowers [and] journalists," or "access of civil society to information on public affairs."[92]

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89 Baumann, "A Failure of Governmentality"; Fougner, "Neoliberal Governance of States."

90 For our more detailed analysis of CPI, see Magyar and Madlovics, "From Petty Corruption to Criminal State."

91 TI, "Corruption Perceptions Index 2011 - FAQ."

92 TI, "Corruption Perceptions Index 2017 - Full Source Description."

What these three categories have in common is the above-mentioned presumption of corruption being a deviance. They understand the state by its formal identity: as dominantly an institution of the public good, with some subordinates who deviate from that purpose and abuse their position by requesting or accepting bribes and appointing cronies without a legitimate basis. Accordingly, private influence over the content of laws and rules—in our terms, bottom-up state capture—and the influence over their implementation—in our terms, free-market corruption—are the two regarded forms of abuse.[93] Also, the questions in the third category imply the state does want to persecute corruption, just that it may not have the "ability" to do so or it lacks the formal rules which otherwise would overrule informal impacts in general.

The fact that TI views corruption as a deviance limits the CPI's ability to offer a reliable picture regarding the prevalence of the various types of corruption, particularly top-down forms. These datasets still offer partial insight into the extent of corrupt transactions that are initiated by private actors, possibly under coercion, and whether these grow into the bottom-up state capture stage on a systemic basis. But they do not provide a picture of the situation when the initiator of a corrupt transaction is neither the company nor public administrators with the potential to extort, but the criminal state itself. To put it in terms of an example: **global corruption indicators survey private actors about whether they have to bribe officials to "get things done,"** for example to win a public procurement tender. But this way the survey **disregards the situation when the entrepreneur does not even have the chance to bribe anyone, for public procurements are already distributed from the top** and public officials must simply ratify the chief patron's chosen client as winner. This pattern of criminal state may persist for countries such as Hungary, which are placed in the mid-range in terms of TI's country rankings, as well as for countries such as Russia or the post-communist nations of Central Asia, who are placed at the bottom of the rankings.[94]

5.3.4.2. The attitude of the criminal state toward unauthorized illegality

Global corruption indicators are mainly tuned to lower-level types of corruption. From this, it follows that **criminal states get rankings** not according to their actual level of corruption—which would include higher-level, top-down forms as well—but **according to how successful they are in eliminating lower-level corruption**. If a criminal state takes on an aggressive attitude toward free-market corruption, it may get a better ranking than a criminal state which leaves free-market corruption alone or perhaps even nourishes it—whereas both states are indeed corrupt at their core.

This leads us to the broader question of **the attitude of criminal states toward unauthorized illegality**. As we explained above, a criminal state means that the chief patron as the head of executive power runs the state as a criminal organization, and accordingly the members of the informal patronal network engage in illegal acts as part of the proper functioning of the state. But they may do so only if their illegality is authorized, that is, permitted by the chief patron (krysha [→ 3.6.3.1]). Indeed, actors who engage in illegal

[93] For free market corruption, TI uses the term "administrative corruption."

[94] TI, "Corruption Perceptions Index 2017."

acts outside the single-pyramid patronal network and without the chief patron's permission commit unauthorized illegality.

The chief patron must have some kind of attitude or strategy toward unauthorized illegality, the cases of which range from occasional unauthorized corruption cases to competing criminal groups and clans (which may even evolve from each other).[95] Describing the possible attitudes, we can turn to Charles Tilly and his seminal work *Trust and Rule*, in which he analyzes the coexistence of formal governmental structures and informal "trust networks" (criminal gangs, secret societies, religious sects etc.).[96] Tilly understands this coexistence as a function of the bottom-up attitude of informal actors toward the state and the top-down attitude of the state toward the informal actors. Lower-level types of corruption, while not necessarily "networks" but certainly informal and requiring the trust of the parties, would be described by Tilly as engaging either (a) in "concealment," meaning the actors try to avoid "detection and manipulation by the authorities," or (b) in "clientage," meaning the actors acquire "protection by intermediate authorities […] at a price."[97] On the other hand, the state—in Tilly's terms—is able to choose from **three "modes of control:" repression, toleration, and facilitation**, marking a range from negative through neutral to a positive attitude by the state.[98]

We may add **a fourth mode** as well: **takeover** of the preexisting illegal groups or networks and integrating them into the criminal state by replacing and subjugating the actors currently involved in them. This mode is qualitatively different from **the other modes** that **do not break the autonomy of trust networks**: rather, they treat them as closed, autonomous entities that the state attacks, leaves alone, or helps, but does not try to reorganize their internal workings and force their members to serve a new master. In contrast, **takeover means the breaking of autonomy**, whereby the chief patron gains control over the trust network, its management and incomes. When its autonomy is broken, the network undertakes **no more independent job, only commissions** from the chief patron. This way, the trust network is integrated into the single-pyramid patronal network of obedience.

Ideal typically, the criminal state takes the attitude of **toleration** and leaves the corrupt networks alone if the cost of repression/takeover would surpass its benefits, such as the income that could be collected if the networks were taken over. In turn, it becomes **repressive** and tries to eliminate lower-level corruption if it recognizes it as an unnecessary disturbance and challenging competitor. This is more typical of post-communist regimes that are in the sphere of influence of the European Union, but repression is the traditional attitude toward unauthorized illegality in the classical mafia as well. Indeed, the expression "protection" money comes from the incident that people living under the authority of the mafia are compelled to pay money in exchange for the elimination of private banditry, that is, that the mafia does not allow anyone else to rob them.[99] **In the mafia state, the bulk**

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[95] Illustrative is the case of Aslan Gagiyev and his criminality-based clan called "Family," which extended from the criminal underworld to the political sphere through ministers and high-ranking law enforcement officials. Anin, "The Brotherhood of Killers and Cops." On clans, see Chapter 3 [→ 3.6.2.1].

[96] Tilly, *Trust and Rule*.

[97] Tilly, *Trust and Rule,* 34.

[98] Tilly, *Trust and Rule,* 103–7.

[99] Gambetta, *The Sicilian Mafia*.

of "anarchic" free-market corruption is similarly **eliminated** by either breaking existing networks (repression), settling over them and taxing them in a negotiated connection (facilitation), or subjugating them to the single criminal organization of the state (takeover).

In case of facilitation, what happens is that the criminal state "settles over" an existing network and starts taxing it without breaking its autonomy. In other words, the leaders of the members (or rather its more important members or "kingpins") are not replaced and they can continue to function, whereas the criminal state's authorities will no longer pursue them if the network pays his taxes and remains within the agreed boundaries of operation. Using Tilly's term, we can identify this kind of coexistence as a case of **brokered autonomy** [→ 2.2.2.2].

Facing the overwhelming capacity of the chief patron to crack down on its enemies, it is rational from existing criminal networks to enter into a brokered autonomy instead of fighting the domination attempt. However, if (a) they do fight the domination attempt or (b) they break their informal contract by expanding beyond the agreed boundaries or (c) they become an unbearable risk to the power monopoly of the adopted political family, the network is either repressed or taken over. **In case of takeover**, the previously decentralized corruption business is put under his supervision. The case is similar to nationalization of a legal activity by a constitutional state, after which the political elite can centralize or decentralize the monopolized function. In a mafia state, where corruption is one of the state's primary functions, this monopolized function can be **centralized or decentralized**. If it is centralized, that means that the chief patron himself manages and taxes these networks; if it is decentralized, then the corruption opportunities are handed out to loyal sub-patrons in the form of **"concessions**" or a **"franchise system."** Such a system means none other than authorization to illegality, typically up to a certain magnitude of corrupt money that can be appropriated.[100] (Those receiving the opportunities can then, in turn, gather and monopolize the various channels of corruption on a local level under themselves.) Corruption concessions are limited, not only geographically but also to the given economic activity. Ideal typically, the chief patron centralizes corrupt businesses which are linked to already centralized industries with high profits, such as natural resource extraction, whereas he decentralizes corruption businesses linked to industries with low centralization and lower profits, such as certain retail activities.[101] (Also, when the criminal state decides to take over, the chief patron and sub-patrons may also establish new, alternative corruption networks that operate along the lines of preexisting patterns.)

Up to this point, we discussed the criminal state's relation to corrupt networks. However, among unauthorized illegal actors, we also find **criminals** who engage in acts which are illegal *per se*, not because they involve the abuse of entrusted power (robbery, smuggling, human trafficking, drugs and weapons trade etc.). **Toward them, the chief patron can have exactly the same kinds of attitudes.** Throughout history, according to Tilly, "[authorities] faced with predatory trust networks such as pirates and bandits generally chose within a range running from repression by coercive means (attacking them directly) to facilitation

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[100] As Ledeneva and Baez-Camargo write, "[regional] 'feeds' are informally, yet zealously, monitored. As a Russian anecdote has it, 'state officials are caught not for stealing but for stealing too much for their rank.'" Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 57.

[101] Cf. Magyar, *Post-Communist Mafia State*, 186–95.

by means of capital (enrolling them as privateers or mercenaries)."[102] A chief patron might engage in repression if he is not interested in criminal activities or finds it too risky to run them (like in Hungary).[103] But the means of repression was applied in Russia as well, where criminal groups prominent in the period of oligarchic anarchy were systematically attacked during the establishment of the single-pyramid patronal network. In *Nothing is True and Everything in Possible*, Pomerantsev documents the case of Vitaly Djomochka, a former gangster turned movie director, offering a vivid illustration of how Putin's mafia state set out **to end anarchic unauthorized criminality** and replace it with the centralized control of the patriarchal head of the adopted family—similarly to the above-mentioned classical mafia (see Box 5.3).

On the other hand, in today's Russia, under Putin's more consolidated regime [→ 4.4.3.2] it is more common that **criminal groups are hired** for specific goals. In essence, these criminals become violent entrepreneurs who enter in an enforcement partnership with the chief patron, not posing a threat to his monopoly of violence [→ 2.5.1]. The commissions of such groups may involve a variety of services from maintaining order through intimidation to the liquidation of rivals. In cases like the Russian one, the relationship of state and organized crime is mutually beneficial and leads to mutual reinforcement.[104]

While in case of non-criminal states, organized crime can engage in criminal state capture and take over parts of the public administration (like in China),[105] in a criminal state **the chief patron may settle over activities of organized crime** or take it over, granting it a permanent and substantial role in the regime. For an example of the latter, we can mention Montenegrin poligarch Milo Đukanović, who was linked by the prosecutor's office in Naples to an organized racket of cigarette smuggling in 2003.[106] For an example of settling over a criminal network, according to the information gathered by one of this volume's authors in Uzbekistan in 2016, the Uzbek criminal state settled over illegal currency exchange of criminal organizations (who had developed the system in the country earlier). We can say that illegal currency changers

Box 5.3. The gangster/director and the chief patron.

"The day of his big shoot Vitaly took over a whole market. The scene had the young Vitaly and his gang being busted as they extorted money from the market traders. The traders played themselves, and cops had been hired to play cops. [. . .] His gangster crew was the production team. Who would dare to be late on set when professional killers are running the show? [. . .] That was the last time I had seen him, three years before. But I was still reminded of him often. There's a little scene that gets played out on the Ostankino channels every week. The president sits at the head of a long table. Along each side sit the governors of every region: the western, central, northeastern, and so on. The president points to each one, who tells him what's going on in his patch. 'Rogue terrorists, pensions unpaid, fuel shortages...' The governors looked petrified. The president toys with them, pure Vitaly. 'Well, if you can't sort out the mess in your backyard, we can always find a different governor...' For a long time I couldn't remember what the scene reminded me of. Then I realized: it's straight out of *The Godfather*, when Marlon Brando gathers the mafia bosses from the five boroughs. [. . .] And it fits the image the Kremlin has for [President Putin]: he is dressed like a mob boss (the black polo top underneath the black suit), and his sound bites come straight out of gangster flicks ('we'll shoot the enemy while he's on the shitter...'). I can see the spin doctors' logic: Whom do the people respect the most? Gangsters. So let's make our leader look like a gangster; let's make him act like Vitaly. [Later] Vitaly was at the station to meet me. [He said:] 'I'm lying low. I avoid Moscow: too many cops wanting to check your documents. Everyone back home has been put away, the last of my crew. I wouldn't have anyone to film with even if I could raise the money.'"

– Peter Pomerantsev, *Nothing Is True and Everything Is Possible* (New York: PublicAffairs, 2014), 30–32.

102 Tilly, *Trust and Rule*, 105.

103 Tóth, Gál, and Kőhalmi, "Organized Crime in Hungary."

104 Stephenson, "It Takes Two to Tango."

105 Wang, "The Increasing Threat of Chinese Organised Crime."

106 Griffiths, "Smoking Guns."

in Uzbekistan reached a brokered autonomy, so the criminal state's attitude toward it was facilitation. The Uzbek police allowed criminals to operate but at the same time the same policemen tapped into the illegal currency exchange network, collected "taxes" from those who pursue this activity, and the monies were delivered through the police chief, a local sub-patron, to the chief patron. The gained profit was distributed among the participants of the network.[107]

To sum up, we can use Tilly's terminology to describe the coexistence of a criminal state and unauthorized illegality (Table 5.4). According to him, the situation can be understood in the conceptual space spanned by three broad ideal types of relation: (1) **segregation** of the illegal elements from the public sphere (such as when the state takes on an inimical attitude); (2) **negotiated connection** between the illegal elements and the public sphere (such as in case of brokered autonomy); and (3) **integration** of illegal elements and the public sphere.[108] In case of non-criminal states, integration would mean that actors of unauthorized illegality—that is, all illegality in a non-criminal state—become legally accepted. In a criminal state, integration means takeover, or when the illegal network remains illegal but run by the adopted political family hereafter.

Table 5.4. Modes of control of unauthorized illegality and the result in a criminal state.

	Action of the criminal state toward unauthorized illegality	The form of coexistence (the result of state action)
Repression	attack/restraint	segregation (eliminated unauthorized illegality or "private banditry")
Toleration	leave alone	segregation (no more molestation of the illegal actors)
Facilitation	settling over it	negotiated connection (brokered autonomy of the illegal network / hiring criminals as violent entrepreneurs)
Takeover	breaking its autonomy	integration (illegal network managed by the adopted political family)

5.3.4.3. The criminal ecosystem: national and global

In the previous part, what we described was the coexistence of illegal elements, including authorized and unauthorized illegality. For this community of actors, we can introduce the term "criminal ecosystem:"[109]

- **Criminal ecosystem** is the community of illegal public and private actors in a defined geographical area, interacting as a system.

[107] On the Uzbek organized upperworld and its relations to the organized underworld, see Chayes, *Thieves of State*, 101–17. The situation might have changed since 2016, as Uzbekistan lifted remaining currency controls in late 2019 (i.e., the Uzbek som is now freely exchangeable).

[108] Tilly, *Trust and Rule*, 30–36.

[109] We take the term "criminal ecosystem" from Moisés Naím, who uses it in an article as a figure of speech but does not define it. Naím, "Mafia States." Without any relation to our topic, the term has too been used in the scholarly literature on cybercrime. See, e.g., Yang et al., "Analyzing Spammers' Social Networks for Fun and Profit."

Segregation, negotiated connection and integration describe the basic **patterns of the criminal ecosystem** in a given polity. In a criminal state, in a case of segregation, we can see an ecosystem of a strong criminal state and low or moderate unauthorized illegality, either because the state does everything it can to eliminate it (repression) or because it was so insignificant in the first place that the criminal state left it alone (toleration). In a case of negotiated connection, the criminal ecosystem can be described by—pushing the biological metaphor further—the pattern of **parasitic symbiosis**: the adopted political family settles on preexisting illegal networks and forces them to comply and pay a tax, but in exchange they can keep their autonomy and their illegal businesses are no longer molested by law enforcement and other legal agencies. Finally, in a case of integration, the appearance of the criminal state transforms the criminal ecosystem in a way that formerly unauthorized illegality becomes authorized and blossoms under the management of the adopted political family.

There are two ways we can elaborate our understanding of the criminal ecosystem. The first one comes by recognizing that, up to this point, we described unauthorized illegal actors as groups or collectives and the relation of these groups to another group, the adopted political family. However, the dynamics of the criminal ecosystem can also be analyzed on the individual level, focusing on **individual paths from the illegal private sphere to the public sphere**. Sociologist Svetlana Stephenson cites Jean-François Bayart with respect to such phenomena and explains that the Gramscian notions of "molecular process" of fusion and "reciprocal assimilation" can be used when people from the private sphere (1) enter the public sphere "via personal networks, exchanging favours and economic opportunities, and membership in charities and political parties" and (2) they get "integrated into the highest levels of the state bureaucracy."[110] Indeed, post-communist regimes have seen, as **a mirror image of the criminalization of the state, the decriminalization of former members of the criminal underworld** who entered the public sphere and began a political career. An example for this can be former Moldovan chief patron Vladimir Plahotniuc, who has been accused by Interpol as well as investigative journalists to have ties to the Russian mafia and cases of money laundering, human trafficking for prostitution, and "death squads" that are responsible for the assassination of several illegal elements.[111] Upon entering the sphere of political action, such actors **typically end being crime bosses**—actors pursuing illegal economic activities with illegal access to it—**and become oligarchs or poligarchs**—actors pursuing legal economic activities with illegal access to it. Such individual transformations from the criminal underworld to the upperworld are typical of systems that have gone through the period of oligarchic anarchy after the regime change.

The second way to further analyze criminal ecosystems is by recognizing that, up to this point, we have defined the "geographical area" in the term's definition as a polity—in other words, we have spoken about **national criminal ecosystems**. In contrast, we can speak about the **global criminal ecosystem** as well, which involves illegal elements all over the world, interacting as a system. On the one hand, this means that poligarchs and oligarchs from different countries are connected to each other, either in voluntary connections for mutual benefit or as a result of coercive subordination to a larger chief

[110] Stephenson, "It Takes Two to Tango," 414. See also Jean-Francois Bayart, *The State in Africa: The Politics of the Belly*, 2nd edition (Cambridge; Malden, MA: Polity, 2009).

[111] Miller, *Moldova under Vladimir Plahotniuc*.

Box 5.4. The global criminal ecosystem.

"This volume of money [cannot] be hidden under a mattress or passed from palm to palm during a handshake. Processing such large sums [requires] banks willing to accept the money without asking questions [. . .] and a way for politicians to draw on their illicit funds to purchase luxuries. [. . .] Offshore finance is what [makes this] possible. [. . .] An individual with dirty cash to spare can buy a yacht using a bank account in Switzerland, which is controlled by a foundation in Liechtenstein, which is overseen by a limited partnership in Britain, which is owned by a company in Belize, which is owned by a trust in the Marshall Islands. The number of jurisdictions that can be used is practically limitless, and each one further obscures the connection between theft and expenditure. [. . .] It is pointless to ask whether Russia is a kleptocracy. It is more appropriate to examine how Russia's elites are part of a kleptocratic system by which their thefts from the national budget are connected, via Scottish limited partnerships and Moldovan or Latvian banks, to the London property market."

– Oliver Bullough, "The Dark Side Of Globalization," *Journal of Democracy* 29, no. 1 (2018): 28–34.

patron.[112] On the other hand, oligarchs and poligarchs can also be connected to international criminal organizations or networks. As Oliver Bullough points out, these are needed because, while **stealing** can be done domestically, the members of adopted political families also need to **obscure** these monies—either in the eye of their authorities or in that of the public—and they also want to **spend** them.[113] Thus, oligarchs and poligarchs, with the help of corruption brokers [→ 5.3.3.2], use **money-laundering** schemes, involving financial institutions all over the world which offer the service of keeping money without asking questions from the depositors or answering them to authorities (see Box 5.4).[114] According to Alexander Cooley, John Heathershaw and J. C. Sharman, the services offered for these purposes—presumably to both the criminal underworld and the criminal upperworld—can be put in two groups:[115]

- **offshore finance**, which is particularly needed in the stage of obscuring. Offshore finance is the keeping of illegal monies in banks as well as the "systematic use of shell companies" by wealthy individuals, oligarchs and poligarchs, "who wish to operate in secrecy." About post-Soviet countries, the authors write that "offshoring and state-building have been intertwined, with regimes and ruling families amassing personal fortunes by channeling to foreign accounts rents from state assets such as commodities, foreign aid, and the sale of or profits from Soviet-era enterprises;"
- **the global real-estate sinkhole**, which is particularly needed in the stage of spending. As the authors explain, "once money is 'cleaned' through networks of companies, its controllers may use it to advance both [their] social or political goals and […] business interests." Thus they turn the global luxury real estate market, which the authors call a "sinkhole" because there "foreign nationals invest billions of dollars every year, mixing illicit and legal funds into assets protected by Western property laws."

The last sentence is especially important, as it notes the ironic situation that **the proper functioning of criminal states requires non-criminal states**. For the latter are limited in their access to private economic businesses, either because (a) state institutions are not in

112 Cf. Deák, "Captured by Power: The Expansion of the Paks Nuclear Power Plant"; Bullough, "The Dark Side Of Globalization."

113 Bullough, "The Dark Side Of Globalization," 33.

114 For a description of the famous Russian laundromat scheme, see Miller, *Moldova under Vladimir Plahotniuc*, 125–52.

115 Cooley, Heathershaw, and Sharman, "Laundering Cash, Whitewashing Reputations," 42–44.

the hand of a single chief patron who could use them in predatory ways or (b) because the country is a liberal democracy, where **the owners of shell companies are protected by all the institutions and laws that have been developed to separate the market and the political spheres of social action**. This situation has been exploited extensively by adopted political families and private criminals alike, from Hungary through Russia to Central Asia.[116] Understanding the global criminal ecosystem as the illegal counterpart of the global economy, we may even say that—in a world-systems approach—Russia acts like a core that uses liberal democracies as periphery, whereas countries like Hungary are integrated as semi-peripheral actors in Russia's global criminal ecosystem [→ 7.4.5].

5.3.4.4. The use of corrupt monies: consumption, hoarding, and reinvestment in capital and politics

Although we have described various forms of collusion and corrupt mechanisms in detail, we have spent little time on **the direct result of corruption: corrupt monies**. We did speak about public procurement projects as a source of rent, and other techniques of personal-wealth accumulation (rent-seeking, kleptocratic, and predatory ones [→ 2.4.3]) are going to be discussed in detail. But we did not speak about the use of corrupt monies. Whereas, as we mentioned above, the reason the members of adopted political families need to engage in laundromat schemes through the global criminal ecosystem is because they want to spend, that is, use their money for various purposes after it has been diverted from the state budget.

Among these purposes, we may distinguish **four typical uses of corrupt monies for adopted political families**:

- **consumption**, which means the direct spending of monies on goods and services for the private pleasure of oligarchs and poligarchs (buying luxuries like cars, yachts, houses, wristwatches etc.);[117]
- **hoarding**, which means the reserving of monies in offshore accounts and the *de jure* private hands of economic front men [→ 3.4.3] for (1) future consumption and (2) the case of various potential negative shocks (including removal from power);[118]
- **reinvestment in economy**, which means the use of monies in building the adopted political family's economic machinery, consisting of economic front men, shell companies, and various newly founded and predated, booty companies [→ 5.5.4];[119]
- **reinvestment in politics**, which means the use of monies in building the adopted political family's political machinery, consisting of media, the transmission-belt party, (fake) "opposition" parties and politicians, bureaucrats, GONGOs, think tanks etc.

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[116] Cooley and Heathershaw, *Dictators Without Borders*.

[117] Dawisha, *Putin's Kleptocracy*; Brückner, "Étel-ital, autók, ruhák: fogyasztanak a NER aranyifjai [Food, drinks, cars, and clothes: the consumption of NER upstarts]."

[118] Yuichi Kono and Montinola, "Does Foreign Aid Support Autocrats, Democrats, or Both?"

[119] Brückner, "Mibe fektetnek a NER-lovagok? [What do the NER's champions invest in?]."

Through these modes of patronal spending, **corrupt monies play an essential role in the survival of adopted political families** in both patronal democracies and autocracies. Indeed, with the sole exception of consumption, which (especially if it is widely perceived) may rather cause a loss of popularity and reduced survival chances,[120] all the three other modes contribute to the informal patronal networks' longevity. First, the most obviously helpful way of spending is **reinvestment in politics**, by which top patrons can expand their political empire, especially on the **media** front. In a patronal democracy, a competing patronal network can ensure through its own media outlets—in *de jure* private hands [→ 5.5.3.5]—that its messages will be spread on a nationwide scale, both when it is in and out of power. The media is helpful for the same reason in a patronal autocracy, however, there the single-pyramid patronal network dominates the (private) media market, sets the political agenda and spreads positive as well as negative propaganda messages (including the criminalization of opposition, disloyal or targeted actors) both when it is in and out of power. This means that, if the chief patron is removed from power peacefully and he is not forced to leave the country and surrender his network's tangible assets, he can still spread favorable narratives through his media empire that may even pave the way for his return [→ 4.4.4].

This leads us to the second way that ensures longevity: **hoarding**. In a patronal democracy, when an informal patronal network is removed from power by a competitor, its survival is essential to the system's self-reproduction. Cyclical changes, and the constant possibility thereof, are needed to produce patronal democracies' dynamic equilibrium [→ 4.4.2], and that is ensured by preventing any one patronal network becoming dominant and by guaranteeing that no newly instituted leading patronal network can fully deprive its competitors of their (economic and political) assets. When a patronal network is dominant, that is, in a patronal autocracy, the same situation prevails, especially because **the hoarded wealth and companies are not in the hands of the leading elite's party but in the hands of *de jure* private actors**. This not only means that the party and its formal leadership have no *de facto* influence over how these monies are spent (hence, a transmission-belt party [→ 3.3.8]). From the perspective of longevity, *de jure* private hoarding **provides security of property for the case of a regime change**. The situation is the same as with the above-mentioned non-criminal states, which respect Western property rights and do not confiscate or freeze the foreign bank accounts of the criminal state's leaders. The same goes for a new, democratic leading elite (in the unlikely case it gets to power), for it is then committed to legal-rational legitimacy and Western-type property rights, and cannot simply expropriate the adopted political family's assets. Indeed, **the adopted political family has the necessary resources either to escape**—if oligarchs/poligarchs must leave the country—**or to rebuild and maintain their informal power structure—**if the adopted political family is just pushed into opposition. Oligarchs of the adopted political family can still finance the informal patronal network and operate its media, exerting influence over the country. Hoarding can also be helpful in times of economic crises [→ 7.4.7.3], when members of the adopted political family can still be fed from the "family treasury" and thus the chances of defection can be reduced. As Pomerantsev and Weiss note, that offshore financial institutions aid and abet autocrat's money laundering "keeps elites happy while simultaneously

[120] Cf. Lyebyedyev and Makhortykh, "#Euromaidan."

giving [the chief patron] a lever with which to come down on them at any time, ensuring loyalty and just the right amount of paranoia."[121]

While moving the corrupt monies abroad brings the advantage of legalizing the loot under the protection of Western legal systems, it also moves it from under the jurisdiction of the adopted political family. This is a major disadvantage when it comes to **reinvestment in the economy**, where discretional state intervention is an essential component of the profitable functioning of the adopted political family's companies [→ 5.5.4.3]. Therefore, reinvestment is done in the domestic as well as the foreign economy, whereas **domestic companies contribute to both the generation of corrupt monies and to regime survival of a patronal autocracy**. As members of the adopted political family lay their hands on strategic industries and infrastructure, they gain **leverage toward economic actors home and abroad**. As for the former, as the economic empire expands, **more and more people get to work for the adopted political family's companies**, either as employees or as subcontractors. Thus, large numbers of voters and their families get an incentive to support the leading political elite, for they can (rightfully) see it as the primary reason why their employer companies thrive, whereas a possible regime change can easily risk their jobs [→ 6.2.2.2]. As for foreign actors, the most important source of leverage, helping regime survival as a means of creating more favorable geopolitical environment, is **asymmetric interdepence via global markets**. This advantage may exist if there are certain, important goods that are supplied to the country only by the respective patronal autocracy, whereas *vice versa* there is no such relationship that would create dependence. Such countries become *de facto* clients to the chief patron, at least to the degree they cannot afford (politically) too high prices on the products the adopted political family supplies. Such relationships have been exploited by Russia, for instance, exercising "Gazprom diplomacy" through discretional control over its natural gas and oil supplies [→ 7.4.3.2].[122]

5.3.5. Relation in Communist Dictatorships

5.3.5.1. Total subordination and the three economies

Up to this point, we have dealt with relation in capitalist environments, that is, in polities with private markets, and compared cases of collusion of private actors with public actors. We have shown that how corruption can be conceptualized when the spheres of social action are separated, and how that can evolve into a situation when the spheres of social action collude. To make the picture complete, **we now turn to communist dictatorships, where the spheres of social action are merged.** In this case, there is **total subordination of societal actors** by the party state but in a formal form, meaning one-party system and the monopoly of state ownership. From this, it follows that, unlike the situations discussed above, in a communist dictatorship **there are no private economic actors**, whereas the rights of private communal actors are also restricted.

[121] Pomerantsev and Weiss, "The Menace of Unreality," 22–23.

[122] Lough, "Russia's Energy Diplomacy."

Box 5.5. *Blat* and the "economy of favors."

"[...] *blat* is an acquaintance or friend through whom you can obtain some goods or services in short supply, cheaper or better quality. Also, *blat* is a reciprocal relationship [as well as] a distinctive form of non-monetary exchange, a kind of barter based on personal friendship. It worked where money did not. In the planned economy, money did not function as the main element in economic transactions, things were sorted out by mutual help, by barter. [Apart] from official rations and privileges allocated by the state distribution system to different occupational strata, every employee had a particular kind of access *(dustup)* which could be traded in *blat* relations. The relative unimportance of money in the command economy brought into being this specific form of exchange, intermediary between commodity exchange and gift-giving. [...] Soviet *blat* was similar to *guanxi* in China [...] but had no direct analogy in the West. One reason for this was that the use of informal channels in Soviet-type society was not a matter of choice, it was an enforced practice necessitated by perpetual conditions of shortage."

– Alena V. Ledeneva, *Russia's Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge University Press, 1998), 33–36.

To understand the form and role of corruption in a communist dictatorship, we need to understand the layers of the communist economy. Indeed, in such regimes, three economic modes coexist.[123] State ownership is the basis of the **"first economy,"** which is a determining force of the economy following the wave of nationalizations (collectivizations). In case there are moderately tolerated private businesses linked to the state sector, they make up the **"second economy,"** which filled in the market gaps of the general shortage stemming from the centrally planned economy in a rather surprising bounty of forms: in retail, retail services and the so-called backyard farmsteads, tied to agricultural cooperatives.

The category of the **"third economy"** can be used to designate the **myriad market maneuvers oiled by informal transactions**, also in the context of the consumer bottlenecks of the shortage economy. The great variety of forms of informality, both solicited and expected, permeate the gamut of socialist society—from the reception desk to the party chairs—rather evenly. At virtually all points of economic contact across the shortage economy that accompanied state monopoly, individuals would find themselves equipped with some stock, service, or competency in a discretional decision to sell, for which they could pocket a tip, gratuity or corrupt allowance. For this system worked in a quasi-egalitarian manner, after all the opportunities for illegitimate ways of accumulating wealth were greatly limited even for leaders in the economy built on state monopoly, while by means of their "mini-monopolies" the hundreds of thousands people in the lower strata of the system could also impose their "allowances."

In scholarly literature on Soviet Russia, the term **"blat"** is used to designate such transactions and relations of the third economy. As Alena Ledeneva explains in her renowned volume *Russia's Economy of Favors*, *blat* was indispensable in the rigid environment of a planned economy. For without the barter of non-monetary goods and services on the basis of informal personal relationships, it was practically impossible to get anything in the Soviet Union, from the white porcelain toilet bowl to paying jobs (see Box 5.5). However, it is important to see that, while *blat* is a historical term, referring to a phenomenon which was observed in the Soviet Union, it is also ideal typical to communist dictatorship, characterized by the repression of private markets in favor of central planning.

While *blat* makes the lives of the people in a communist regime easier, **the function of corruption** in communism is not simply to "get things done" more conveniently.

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123 Juhász, "Társadalmi együttműködés az első, a második és a harmadik ökonómiában" [Social cooperation in the first, second, and third economy].

Indeed, corruption in a planned economy can be conceptualized, by its general function, as **system-lubricating corruption**, which makes it possible for the consumers to have their demands served, under a system that was not designed to adjust to consumer wishes (central planning). In a planned economy, the colloquial expression "grease money" gets its literal meaning: **without lubricating the machinery, the planned economic system itself would in fact be paralyzed**. The unavoidable, system-preserving character of these mutual reciprocities that could be placed anywhere on the scale of legitimacy and illegitimacy make this web of corrupt transactions a morally accepted convention [→ 5.6.1.5].

5.3.5.2. Comparing *blat* to other forms of corruption

Having defined corruption as the abuse of public office for private gain, we need to realize that **not every transaction resulting from *blat* relations in the third economy is also corruption**.[124] Indeed, when the action does not involve a public office, we cannot speak about corruption. However, when *blat* is carried out either (a) between public actors, such as between state enterprise leaders and higher-level nomenklatura members via tolkachi, or (b) between a public actor and an actor from a different sphere of social action, we can speak about non-collusive and collusive corruption respectively.

Furthermore, *blat* is to be distinguished from so-called economic crimes, which basically were the communist equivalent of embezzlement of post-communist regimes.[125] For in case of economic crimes (as well as embezzlement) corruption supply and demand, or the provider and the beneficiary of the corrupt service, are not separated but are fulfilled by the same person, who abuses his public office for his own private gain. *Blat*, in contrast, is always an interpersonal relation (exchange), and the one who occasionally abuses his position to give a favor is different from the one who demands it.

Using the dimensions of collusion and separation of corruption supply and demand, we can contrast *blat* with other forms of corruption (Table 5.5). In our conceptual toolkit, there is no other form of separated non-collusive corruption than *blat* between public actors. On the other hand, collusive *blat* shares the characteristics of other forms of collusive corruption where supply and demand are separated, namely free-market corruption, cronyism, and bottom-up state capture. As for the table's right column, containing forms of corruption where supply and demand are united, we can find economic crimes and embezzlement as non-collusive forms and state organization collusion, top-down state capture and criminal state as collusive forms.[126]

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[124] Ledeneva presents a comparative analysis of *blat* to bribery and corruption in Ledeneva, *Russia's Economy of Favours*, 39–47.

[125] Łoś, "Economic Crimes in Communist Countries."

[126] In Table 5.5, we did not distinguish by the dimension of systemicness, and we spoke about *blat* only in its form of individual transactions. Yet in Chapter 1, we hinted that such relations can be systematized [→ 1.4.1], and indeed *blat* networks can feature "kingpins" who control the flow of products and services. Extreme cases when access to resources is possible only through the network are colloquially referred to as "blatnoi mir" (*blat* world), where the kingpins essentially decide life or death.

Table 5.5. Comparing types of corruption by the dimensions of collusion and the separation of supply and demand.

	Corruption supply and demand are… separated	united
non-collusive corruption (carried out by people from the same sphere of social action)	• *blat* between public actors (via tolkachi)	• economic crimes (in communist dictatorship) • embezzlement
collusive corruption (carried out by people from different spheres of social action)	• *blat* between public actors (nomenklatura) and non-public subjects • free-market corruption • cronyism • bottom-up state capture	• state organization collusion • top-down state capture • criminal state

For an economic analysis of corruption in communist and capitalist economies, we can turn to Kornai's distinction between **buyers' corruption** and **sellers' corruption** (which is illuminating even though Kornai apparently defines corruption more broadly than we do). According to Kornai, the market economy can be described as a "buyers' market," for there it is the buyers' wishes which are definitive. Sellers compete, innovate and make various other efforts to attract more buyers. In contrast, the command economy of communist dictatorships is a form of "sellers' market," where it is the sellers' wishes which are definitive. Buyers have to make efforts to win over the sellers, who are monopolists of certain goods in redistributive positions of the nomenklatura.[127] It follows from this distinction the difference in the nature of corruption. In the buyers' market of a liberal democracy, there is sellers' corruption, for it is among the sellers' efforts for winning over buyers to initiate corrupt acts (such as not giving receipts to reduce price by the tax) and sell some products—which, in normal and non-corrupt competition in the market economy, would remain unsold surplus. In the sellers' market of a communist dictatorship, there is buyers' corruption, for it is the buyers' effort needed for winning over sellers to initiate corrupt acts (such as giving an extra, under-the-table payment) and get some products—which, in normal and non-corrupt monopoly situations in the socialist economy, would be in shortage.[128]

5.3.5.3. The effect of the regime change on corruption patterns

When the buyers' market is abruptly turned into a sellers' market—that is, during the regime change—**the structure of informal relations also goes through a transformation. In the post-communist region**, regime change resulted in unprecedented inequalities not only in wealth, but in terms of corruption prone positions as well. Since the shortage economy dissolved in the interactions of the participants of the private sector, the arena of corruption was driven back into the channels of business established between the private and public sectors. Yet in this new situation the client was no longer the small customer of

[127] Kornai, *The Socialist System*, 245–52.

[128] Kornai, *The Socialist System*, 252–55.

the old communist regime but increasingly the ever-wealthier circle of businessmen, from the small lessees of local government commercial premises to the oligarchs commissioning legislative regulations. In short, the more democratic and "egalitarian" nature of corruption in *blat* was replaced by elite-level corruption.

Changes in *blat* following the regime change included:

- **a narrowing of the circle of those to be corrupted and an end to its mass aspect**, as well as its basically becoming linked to the participants of the public administration and the political elite;
- **a transformation of the structure of decision-making in areas affected by informal relations**: displacing advantages tied to everyday consumption, state assistance that offered advantages in the competition for accumulation of wealth came into the foreground (privatization, state and local government procurement, tenders, real-estate reclassifications, permits issued by the authorities etc.);
- **a significant growth of the profit margin to be achieved through individual corrupt decisions**: it was no longer a consumer good one could acquire under the counter of the state owned shop by greasing palms but the entire factory that made it, along with the retail chain that distributed it, purchasing it on a loan from the state;
- **a permanent divergence of the roles in informal transactions**: no longer was "everyone" simultaneously "corruptor" and "corrupt" as they participated in the widely strewn social fabric of scarcity, but the initiators of the corrupt transactions, who approached actors in the public sector, now came from the private sphere.

To sum up, **the formal separation of the spheres of social action** created Western-like situations in the sense that **now there were formally private actors** who could collude with the formally public actors. However, because the separation was only formal, **the informal networks that were formed enmeshed the newly established capitalist environment** and resulted in more complex forms of collusion than Western corruption, including top-down state capture and the criminal state.

5.3.6. The Culture of Relation in the Post-Communist Region: From Family Obligations to *Blat* and *Guanxi*

In the post-communist region, relation can be modelled in abstract terms but it can hardly be understood as a social phenomenon without **taking social culture into account**. We have underlined this already in Chapter 1, outlining a path dependence argument which pointed out the cultural determinants of centralized and monopolized forms of corruption, the origins of single-pyramid patronal networks and the reasons why corruption surpasses bottom-up forms and shows the signs of a top-down nature. Focusing on lower levels of corruption and informality, we can also reveal cultural elements already in pre-communist times which persisted through the communist and post-communist periods with different intensity in the Western and Eastern parts of the region.

We can find the cultural determinants of corruption by focusing on those **social institutions where giving discretional favors enjoyed social legitimacy as a norm**. In pre-communist times in general and before the separation of the spheres of social action in particular, there were two such institutions: **family and friendship**. On the one hand, they are **similar** in three respects:

- they both involve the giving of **discretional favors**, meaning that family members and friends are preferred over other members of the society on the basis of their identity;
- they both are **reciprocal relationships**, meaning that every favor from member A to B involves an implicit, unspecified agreement about compensation, which is nevertheless expected to take place at some future point [→ 3.2];
- they both feature **strong ties**, meaning that the members' relationship is longstanding, emotionally intense and/or intimate (mutual confiding) [→ 6.2.1.1].[129]

On the other hand, they are **different** in three other respects:

- **family is based on kinship ties**, whereas friends are not blood related;
- **friendship ties are chosen**, whereas family ties are given (as far as one is born into them);
- **supporting family members is obligatory**, whereas supporting a friend is optional.[130]

The culture of family obligations[131] is related to the fact that, before the welfare state, families were the primary providers of welfare as well as a "social safety net." Family members helped each other to make ends meet, and in effect the family's wealth was treated as common property that had to be shared among the members in a (more or less) equal and equitable manner.[132] Friendship could fulfill a similar function, especially when there was great disparity in wealth between friends and one helped the other. Following the classic study of Jeremy Boissevain, we refer to such forms of friendship as **patronage**, which is **to be distinguished from patronalism and the patron-client relations** we have talked about in the previous parts of this book. For patronage, while an asymmetrical relationship where "the nature of the services exchanged may differ considerably,"[133] it is also (1) a relationship where both parties are friends and chose to form strong ties with each other voluntarily, therefore not only (2) the so-called "patron" is free to decide whether he helps

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[129] Granovetter, "The Strength of Weak Ties," 1361.

[130] Huntington, *Political Order in Changing Societies*; Boissevain, "Patronage in Sicily."

[131] Naturally, a family member was not obliged to help everyone who had a kinship relation to him but rather his closer family circle. In 19th century Europe, for example, family obligations were "extended to blood relatives as far as second cousins, the limit of range within which the Church prohibits marriage." Boissevain, "Patronage in Sicily," 19.

[132] Gladstone, *Before Beveridge*.

[133] Boissevain, "Patronage in Sicily," 18.

his so-called "client," who is the main beneficiary of the relationship, but (3) the "client" is free to reject the "patron's" offer. In contrast, the patron-client relations in patronal networks constitute (1) coercive relations, where (2) the patron is the main beneficiary of the relationship and (3) the client is not free to reject the patron's "offers" (orders). In short, **patronage and patronalism differ in terms of power: the richer friend in patronage helps but does not rule, whereas the patron in a patronal network rules and might or might not help.**

As societies modernize and more and more impersonal and professional institutions of state bureaucracy are established, there appears **a mismatch between the culture of discretionality**—as manifested in the traditional social institutions of family, friendship, patronage and patronalism—**and the newly introduced culture of normativity**. As Huntington points out, corruption "in a modernizing society is […] in part not so much the result of the deviance of behavior from accepted norms as it is the deviance of norms from the established patterns of behavior[:] according to the traditional codes in many societies, an official had the responsibility and obligation to provide rewards and employment to members of his family. No distinction existed between obligation to the state and obligation to the family."[134] **In the West**, where modernization as well as the separation of the spheres of social action took place in a centuries-long process, institutional changes were slow enough that cultural changes could follow them. Simply put, **morality could develop hand in hand with legality**. Discretionality following traditional norms has gradually lost its social legitimacy and more and more of the reciprocity system of family favors in the public sphere have been requalified as some form of immoral as well as illegal abuse.[135] However, **in countries where social changes happened more rapidly, the gap that appeared between morality and legality was larger** than in slow and gradual changes, and morality did not have the time or the intent to embrace the alien ways imposed upon its existing structures.

In the countries we deal with, **the first abrupt change** of social institutions happened after 1917 with **the establishment of communist systems**. In such an environment, **pre-existing strong-ties networks** of family, friendship, patronage and patronalism **were partially eliminated** (where they were based on the nobiliary or "capitalist bourgeois" class status of some members) **and partially extended with a myriad of weak ties** under *blat*.[136] Morality of subjects and legality of the system did not and could not match, given that the rigidity of the command economy made it nearly impossible to make ends meet without informal—and sometimes corrupt—*blat* relations. In countries where the culture of family obligations had been particularly strong, *blat* partially retained its familiar structure and continued to blossom even after the end of the command economy. This has been

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134 Huntington, *Political Order in Changing Societies*, 60.

135 Huntington, 59–60; Khatri, Tsang, and Begley, "Cronyism."

136 Family ties were also strongly amortized for nomenklatura members. Indeed, it was not without reason that, to a nomenklatura was individual enrollment and not family enrollment (as in an adopted political family): the nomeklaturist was expected to have bureaucratic loyalty toward the party, not family loyalty toward his strong-ties networks. Often this choosing of sides between the family and the party had to be demonstrated in forms of more spectacular actions, such as cracking down on a family member or forcing him to comply with the nomenklatura's orders in the name of the party.

Box 5.6. The culture of guanxi in China.

"The Chinese word *guanxi* literally means 'relationship' or 'connection'. It also refers to an important aspect of contemporary Chinese culture: the need to 'use' *guanxi*, or call on personal or social connections to get things done, acquire a scarce commodity, or gain access to an opportunity. In this sense, *guanxi* is a dyadic social exchange relationship, in which one person helps the other, and in return, the other owes a social debt. Thus, *guanxi* in practice is like a gift exchange between two persons, in which there is affect or good feelings (*renqing*), a mutual obligation to help the other, and reciprocity, or the expectation of repayment at a later date. Gifts [and] favours [. . .] are the objects of exchange, and the debt may sometimes be repaid after several years. [. . .] *Guanxi* practices grow out of the traditional Chinese cultural emphasis on social relationships and the interpersonal ethics of obligation and reciprocity. The Confucian classical texts are filled with discussions of the reciprocal duties and obligations of different social roles and relationships, and the ethics and etiquettes of gift-relations and host–guest relations at rituals and banquets."

– Yang Mayfair, "Guanxi (China)," in *The Global Encyclopaedia of Informality*, ed. Alena Ledeneva, vol. Volume 1 (UCL Press, 2018), 75–76.

the case in China, where the system of *guanxi* grew, under the dictatorship of Mao Zedong, out of pre-existing strong-ties networks and has not ceased to be an important part of Chinese everyday life ever since (see Box 5.6).

Indeed, the fact that the change from command to market economy in China was more of a gradual process, starting in the late 1970s, also contributed to the continuity of social norms between communist and post-communist times. The countries of the Soviet empire, however, faced **a second abrupt change** of social institutions, namely **the regime change** after the collapse of the USSR. While **the Western standards of legality**—formally democratic institutions and the private economy—**were instituted rapidly**, **the Western standards of morality could not be fully instituted** and the patterns of social morality and behavior followed institutional changes ambivalently**.** On the one hand, where institutions themselves were not so much changed and bureaucratic coordination of economic affairs prevails (such as in state healthcare), *blat* relations live on, although exchanges to overcome shortages largely transformed to monetary form in the new capitalist environment.[137] On the other hand, the social legitimacy of traditional family obligations has typically melted off of people in public positions and lower-level; voluntary forms of corruption have become more of impersonal business relations, like in the West.

5.4. State Intervention

5.4.1. The General Framework

5.4.1.1. The character of state intervention: normativity and discretionality

Since the distinctive feature of the state is the monopoly of the legitimate use of violence, it follows that the distinctive form of state action is using this power. When this power is used on economic actors or in the sphere of market action, we can speak about state intervention:

[137] Kornai, "Hidden in an Envelope: Gratitude Payments to Medical Doctors in Hungary."

- **State intervention** is an action by the state in the private market which employs state coercion to (a) make involuntary deals happen or (b) prevent voluntary deals from happening.

The first point to be noticed here is that state intervention means the **use of coercive, extra-market means by the state in the economy** [→ 2.6]. By definition, the state is the only actor who can do this legitimately in a stable polity [→ 2.2.1] and this is precisely what differentiates political actors from economic and communal actors, that they can use political power of the state in social interactions. A second and closely related point is that, a state, like private people, might engage in voluntary transactions, like when it trades or privatizes [→ 5.5.2], these do not qualify as state intervention according to our terms. In these cases, the interference of the state in the market is no different from the interference of any actor, for it uses market (not extra-market) means.

Third, state intervention is conceptually possible only in capitalist economies, for it necessitates—by definition—a private market where the state can intervene. Therefore, in this part we are not going to discuss communist dictatorships and planned economies, where—while the party state uses coercion in the economy constantly—the private market is abolished altogether in favor of central planning [→ 5.6]. Finally, following the basic premises of relational economics, we can say that **the character of state intervention is defined by relations between private and public actors.** In the following, we explain this in more detail, using the typology of relations provided in the previous part.

Let us start from **liberal democracy** and the constitutional state. In such a polity, **the main form of relation** is **cooperation.** Interest groups lobby for certain policies and politicians decide which one should be taken into account. Indeed, this is what **the principle of societal interest** means: in Chapter 2, we defined the constitutional state as being subordinated to that principle; we stated that the **societal interest consists of the particular interests of certain groups** of the society; and the principle of societal interest means that these groups with particular interests are involved in the transparent and formalized process of interest representation and decision-making.

These groups, which may become the **target groups** of state intervention, are defined by their position in the social structure, that is, by a **normative criterion**, which any member of the society can theoretically meet. In other words, such groups may be an industry, a class, a minority, and so on, all being defined by an abstract criterion irrespective of their specific membership. Everyone is treated the same: anyone who meets the criterion automatically enters the group.[138] From that the target groups can be defined by a normative criterion, it follows that the constitutional state views them as such and intervenes normatively. These can be defined as follows:

- **Normative intervention** is a form of state intervention which targets social groups that meet certain criteria irrespective of who the exact persons belonging to the

[138] True, it is the state which needs to recognize people as being members of certain groups. The state has to register someone as unemployed, entrepreneur (of a certain industry), or whatever, to know who to apply the respective laws to. But ideal typically in a constitutional state this is an irrelevant technicality, and the state apparatus does include everyone in the group who indeed meets the given criterion.

> group are. In other words, the effects of a normative regulation depend on objective and formal criteria, not allowing for different treatment of people on the basis of their identity (impersonal with no double standard).

In other words, normativity means that the state has a public policy goal that targets a social phenomenon, not limited to concrete people but anyone who happens to be in the respective social group. Simply put, normative interventions are **impersonal**, whereby constitutional states "systematically provide services and benefits to citizens and organizations […] without a reference to […] the identity and political connections of an organization's principals."[139] **Benefits or losses** stemming from normative interventions **are born by everyone who happens to be in the respective social group**.

On the other hand, **corruption is none other than discretional treatment**. More specifically, in cases of collusive corruption, people with public office are involved in collusion precisely to do what could not be done by the law, that is, to receive preferential treatment vis-à-vis other people. **Even if the laws that embody state intervention are formally normative, corruption makes the effect of state intervention discretional.**

The effect of corruption on state intervention depends on how corrupt the state is. **The more the state becomes corrupt, the more discretional the effects of state intervention become**, and the less corruption becomes a deviance of state functioning. To put this in more specific terms, it is worth revisiting our terminology for states of different legal status in Chapter 2. In Table 5.6, it is shown which forms of collusive corruption from our typology are dominant according to the definitions of corrupt state, captured state, and criminal state. ("Dominance" means that other forms of corruption might appear in the given state besides the one we list, but only lower types. That is, in a captured state, there can be free-market corruption, but in a corrupt state there cannot be state capture, for if there was state capture, the state would requalify as a captured state by definition.)

The conceptual starting point of **state** fits the definition of the constitutional state of liberal democracies. There, both the **intention of the regulator**—the one who creates the law or manages a subdivision of the state—is the same as the **intention of the dominant institution**—in this case, the formal laws which provide the actual framework for political action—is normative intervention. The one this intention is **opposed by** is **the corrupt state administrator**, who, in sporadic cases of free-market corruption, wants to give discretional treatment to certain people. This may be called a **non-structural deviation**, for both state intentions (of the regulator and of the dominant institution) are against such actions.

The status of corruption is the same in a **corrupt state**, although there free-market corruption is already endemic. In a captured state, however, the instances of (a) state organization collusion, (b) cronyism, (c) bottom-up state capture or (d) top-down state capture mean that the regulator's intention changes as he becomes the one who wants to carry out discretional treatment. In this case, when the regulator's intention—discretionality—does not meet the intention of the dominant institution—normativity—corruption can be regarded a **structural deviation**.

The final option is when both the regulator's and the dominant institution's intention is discretionality. That is the case when the role of dominant institution is taken over by an

139 North, Wallis, and Weingast, *Violence and Social Orders*, 113.

Table 5.6. The status of corruption in states of different legal status.

	Political regime (state type)	Dominant forms of collusive corruption	Regulator's intention	Intention of the dominant institution (form)	Discretional treatment resulting from corruption meets the intention of…
State	liberal democracy (constitutional state) ↓	• free-market corruption (sporadic)	normative	normative (formal state laws)	neither the regulator, nor the dominant institution (non-structural deviation)
Corrupt state		• free-market corruption (endemic)	normative	normative (formal state laws)	neither the regulator, nor the dominant institution (non-structural deviation)
Captured state		• state organization collusion • cronyism • bottom-up state capture • top-down state capture	discretional	normative (formal state laws)	the regulator, but not the dominant institution (structural deviation)
Criminal state	patronal autocracy (mafia state)	• criminal state	discretional	discretional (informal patronal decisions)	both the regulator and the dominant institution (norm / constitutive element)

informal network, whereby **corruption turns from a deviance to a norm**, or even more so, **a constitutive element** of the regime. This is the case in a **criminal state**, which, as we explained in Chapter 2, is a central element of the mafia state of patronal autocracies [→ 2.4.5]. Indeed, as opposed to the principle of societal interest, **the impetus of a mafia state is elite interest**, which means the twin motives of power concentration and wealth accumulation for the adopted political family. As opposed to normative target groups of state intervention of constitutional states, the **targets** are defined by allegiance to the informal patronal network, that is, by a **discretional criterion** that only certain members of the society can meet, namely those who have been let in by the chief patron. In other words, it is the particular interest of the adopted political family which the state aims at serving, and this group is defined by a specific criterion of personal acceptance and individual belonging. There is no automatic entrance to the adopted political family, meaning everyone is individually assessed and adopted (or not) accordingly.

As the intervention's target group can be defined by a discretional criterion, it follows that the mafia state views it as such and intervenes discretionally:

- **Discretional intervention** is a form of state intervention which targets certain people (e.g., the adopted political family or its enemies) as a result of the decision of its head (e.g., the chief patron). In other words, the effects of a discretional regulation depend on subjective and informal criteria, allowing for different treatment of people on the basis of their identity (personal with double standard).

In other words, discretionality means that the state has a patronal policy goal that targets certain individuals. Such intervention, as opposed to normative intervention, is not impersonal but personal. **Benefits or losses** stemming from discretional interventions **are born by the specific individuals who are targeted**; and one—in a patronal autocracy—becomes a target when the chief patron (discretionally) decides so.

State intervention can be formally as well as informally discretional. **Formally discretional intervention means a violation of equality before the law**, when the written laws themselves name the given person or company, such as in case of exemptions from normative interventions (regulations, taxes etc.). **Informally discretional intervention means a violation of equality after the law**, when the written laws are normative *per se* but informal relations are used for discretional implementation or changing the legal framework whenever it would also affect someone who the chief patron does not want to be affected.

The systemic character of discretionality in state intervention is directly proportional to the level of collusive corruption, and therefore it positively correlates with the lack of separation of the spheres of social action. This follows the definitions of the concepts involved, for as we move from the state to the criminal state, the higher forms of collusive corruption appear, and the higher the forms are, the stronger the collusion of the public and private spheres is. In the ideal typical "state," there is normative intervention with no discretionality in either a positive or a negative direction. But the more the nature and extent of state intervention becomes discretional, or the higher forms of collusive corruption we reach, the more opportunity for preferential treatment opens. When we reach the criminal state level, we can see the maximum **amplitude of arbitrariness** [→ 2.4.6]. However, we do not say that a criminal state treats everyone arbitrarily and uses no normative intervention at all. On the contrary, normative intervention is supplemented, and not replaced, by discretional intervention in the state's arsenal when corruption appears. What "amplitude" expresses is **the range of choices among different ways of intervention**, or in other words the state's ability to intervene negatively and positively at the leading political elite's (or its head's) whim. **The wider the amplitude of arbitrariness is, the more discretional decision options are available to the leaders**, and actual instances of state intervention will be scattered between the two endpoints of the amplitude.

We do not feature the figure depicting the amplitude of arbitrariness again, but we refer the reader back to Figure 2.2 in Chapter 2. There, on the horizontal axis, there are emphasized points (D_1, D_2 etc.) showing the change in the character and extent of the arbitrariness. One might object that these indeed are qualitative changes, which means these forms can only be put on a discrete (ordinal) scale but not a continuous one. However, our use of the terms "higher" and "lower" levels of corruption has been more than mere playing with words: **the higher type of corruption we examine, the more decisions are affected, and the wider the amplitude of arbitrariness is**. In a corrupt state, discretional intervention can only reach the implementation of the laws and there are no servers of corruption who would be involved and coerced to act discretionally. Indeed, there are no corrupt networks in a corrupt state as every corrupt public administrator acts in free-market corruption (petty corruption). In a captured or a criminal state, discretional intervention reaches a higher level: it becomes a structural or constitutive element and there are

numerous servers involved in large corrupt networks, connecting formerly independent actors and institutions of the state machinery (grand corruption).[140]

To sum up**, the way from the ideal typical "state" to the criminal state can be interpreted as a way from the impetus of creating the rules of the game to the impetus of building a patron-client network**. In a criminal state, patronal relations define state intervention, resulting in great rewards and wealth for some, and bitter punishments and impoverishment for others. In place of a market economy of competing autonomous actors, a relational economy of dependent actors is established [→ 5.6].

5.4.1.2. The means of state intervention

Having described the character of state intervention, we now may turn to its means. In other words, the question is the following: What do political actors actually do when they intervene normatively or discretionally in the private economy? The answer varies in states of different legal status which, allows us to make a diagram similar to Figure 2.2 (Figure 5.11). A crucial difference, however, is that in Chapter 2's diagram, as we moved toward the criminal state, the nature of state action (intervention) changed, meaning it was qualitatively as well as quantitatively different in the distinct state types. But as we already indicated, **the means of state intervention do not change but build on each other**. In other words, the higher forms of corruption appear, the more types of means become available for political actors, while the ones which were already there are still being used—in line with the general character of state intervention shown above. To be specific: **in a corrupt state**, governmental actors use normative means and corrupt administrative actors affect those means' implementation, but the former still remain definitive as the latter do not pass new laws but simply exercise illegal veto power over the implementation of existing rules and regulations. **In a captured state**, corrupt elite actors of the sphere of political action intervene discretionally and non-corrupt ones, normatively, while some of the discretional implementation which was carried out by independent public administrators in a corrupt state will now be the duty of the servers in corrupt governmental networks. Finally, **in a criminal state**, public administrators are all integrated in the single-pyramid patronal network and they affect implementation discretionally at the orders of the chief patron, while central acts of discretional intervention coexists with normative interventions, instrumentalized to the needs of the adopted political family.

As for the content of laws, although several typologies of state activism have been suggested by scholars for different capitalist economies,[141] we offer the one below for the purposes of our framework. We divide **the types of state intervention** into four general groups:

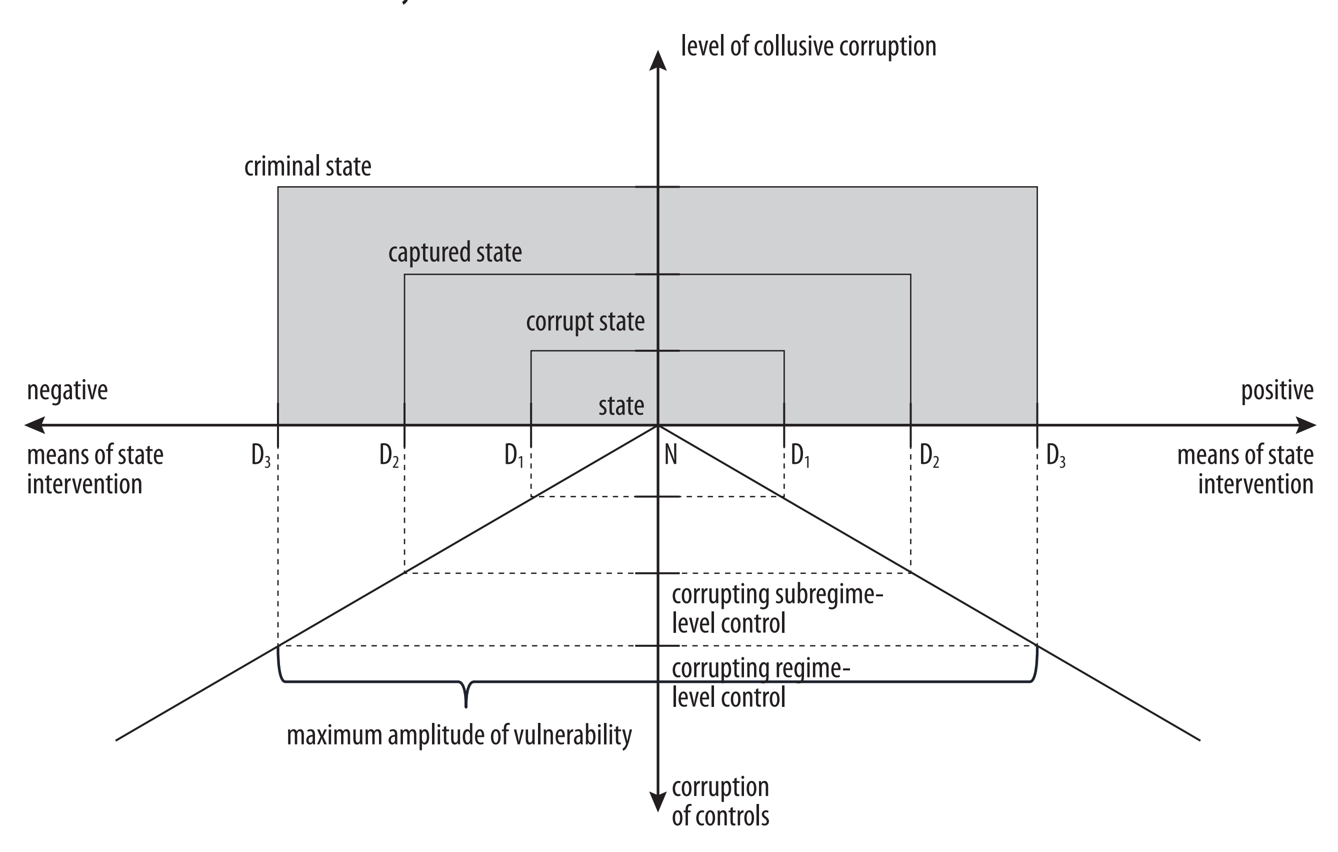
- **regulatory intervention**, which includes state regulations such as price control, prohibition, or limiting entry to a market by monopolistic grants;
- **budgetary intervention**, involving every intervention that is part of the redistribution process, such as taxation and the resultant government spending;

[140] In the figure, every leap between emphasized points (state types) is shown as equal. However, this is not part of the definition, which includes only that the function is strictly monotonically increasing. How big the leaps are is a question of empirical analysis in every case (polity).

[141] For an example in the "varieties of capitalism" paradigm, see Levy, "The State after Statism."

- **property-taking intervention**, referring to the public takeover (nationalization) of non-monetary property, such as the land or company of private actors;
- **supervisory intervention**, which involves the workings of the various control agencies of the state, such as the police and the tax office.

Figure 5.11. The correlation between the means of state intervention, the level of collusive corruption, and the inactivity of controls.



N: normative budgetary/regulatory/property taking intervention; D_1 discretional implementation of intervention; D_2 discretional subregime level budgetary/regulatory/property taking intervention; D_3 discretional regime level budgetary/regulatory/property taking intervention.
(Note: the dotted lines are added lines for the sake of clarity. In all four points, supervisory intervention is included.)

Supervision is usually not regarded as a form of state intervention. For in neoclassical macroeconomics, the state intervenes to promote the public good and the existence of supervisory agencies is no more than a mere technicality, providing the vehicle or the control mechanisms that make the (normative) interventions of the three other types possible. However, these agencies do use state coercion during compulsory supervision that makes them agents of state intervention even in a liberal democracy.[142] As we move from the constitutional state to the criminal state, the less these agencies work as controls and the more they become instruments of selective law enforcement [→ 4.3.5]. In the economy, this means that supervisory agencies can be used to discretionally determine how stifling the environment of an

[142] Cf. Holcombe, *Political Capitalism*, 2018, 135–37.

economic actor is—whether he is constantly subject to (tax or other) inspections or never, whether fines are imposed on him or not etc. In short, **supervisory intervention becomes, rather than a guarantee of normativity, an instrument of discretionality** [→ 4.3.5, 5.5.4].

From this, it follows that supervisory intervention gets more and more corrupted as we move from lower to higher forms of corruption. Indeed, while inactivity of control mechanisms is one of the key prerequisites of successful corrupt transactions, corruption more generally implies that **control agencies are made to take sides with corrupt actors** by turning a blind eye to the corruption of their side **(krysha)** and engaging excessively with targets on other sides.

From the starting point of the **"state," controls are fully active** and the state engages in **all four types of intervention on normative bases**. In the **corrupt state**, free-market corruption can become endemic only if **control mechanisms are locally disabled**, that is, the actors responsible to prevent corruption in the infected area of public administration are persuaded to disregard the prevailing corrupt relations. Thus, it becomes possible to **discretionally veto the implementation of normative state intervention**, typically in exchange for bribery (kickbacks).

On the level of the corrupt state, it is less likely that corrupted control agents are used to attack targets, for the public administrators engage in corrupt transactions only occasionally and such activities are limited to those private-sector initiated occasions. True, certain actors could try to use control agents to reduce competition from other corrupt participants, but as every such actor is connected to only a few control agents and none of them controls the entire local agency personally, such hostility would risk the elimination of the corrupt business of both parts. The situation is different in a **captured state**, where **discretional decisions of state intervention are made on the subregime-level**, that is, in the area under the authority of a single subdivision of the state machinery (a state organization, a ministry, a municipality etc.) which they can locally monopolize in respect to corrupt transactions. As more permanent schemes are developed, corrupt actors might face entry to their locally monopolized corrupt market or simply make deals which cannot be enforced without threats imposed by selective law enforcement, which is usually made possible with the help of corruption brokers within the state hierarchy. Finally, **in a criminal state**, **all types of intervention can be discretional with regime-level control mechanisms disabled**. The formally controlling institutions become informal weapons in the hands of the chief patron, who can initiate both supervisory intervention and centrally-led predation using the bloodless means of state coercion.

Parallel to the amplitude of arbitrariness that widens as state intervention becomes more and more discretional, we can find the continuous increase of the **amplitude of vulnerability** as well. In terms of **negative state intervention**—that is, one that aims at disadvantaging or attacking certain economic actors—vulnerability refers to the corruption of control mechanisms and **the attacked actors' ability to defend themselves via formal institutions**. The closer the state is to the criminal state, the more ability the corrupt actors have to use supervisory intervention to their own benefit, and consequently the fewer autonomous institutions of the law the attacked actors can turn to in the hope that they will have the ability and willingness to defend them (by exercising effective control).[143] In terms

143 Cf. Easter, "Revenue Imperatives: State over Market in Postcommunist Russia," 60–61.

of **positive intervention**—that is, one that aims at advantaging certain economic actors—vulnerability refers to **the preferred actors' dependence on the state as a single source of wealth**. In a market economy free of discretional intervention, it is the consumers who buy or refrain from buying, and therefore they decide who will survive and grow and who will have to look for another occupation or business. The point of discretional intervention is precisely to remove this decision-making power from the hands of the consumers and give it to a political actor, who can thereby reward economic actors. But **the more an economic actor's success is a result of the discretional intervention rather than competitiveness and market performance, the less the actor is able to keep and build a fortune autonomously**, and the more he becomes dependent on the leading political elite and its discretional favors. Possibly, some clients have entrepreneurial skills they could profit from under free-market conditions, especially if they are coerced into the corrupt relationship rather than voluntarily choosing it instead of the otherwise existing market [→ 5.3.2.3]. Yet in such cases, that is, being a client in a patronal network typically means higher profits and requires less (innovative market) efforts than being an entrepreneur in competition [→ 5.5.4.3], which means the same actors could not reach the same wealth without discretional support. In addition, Tamás Gallai is right to point out that competitive businessmen typically have a headstrong, autonomous character, which also entails a poor tolerance for dependency—and this is not true of the clients in a patronal network.[144] The general point is that, the greater the weight of discretional intervention is, the wider the amplitude of vulnerability is; **the path from the corrupt state to the criminal state means the path from single, individual corrupt transactions to vassalage and patronal dependence.**

In the following parts, we elaborate on two of the four types of state intervention: regulatory and budgetary intervention. As for supervisory intervention, first, we already analyzed politically selective law enforcement in the previous chapter [→ 4.3.5] and, second, the previous few paragraphs were devoted to the forms and effects of supervisory intervention. The reason we did this and did not give supervisory intervention a separate part is because it is more general than, and indeed encompasses, the three other intervention types. As far as property-taking intervention is concerned, we decided to explain it in the context of ownership in the next part, where we offer a broader analytical framework for nationalization and property rights [→ 5.5].

5.4.2. Regulatory Intervention: The Forms of Rent Creation

5.4.2.1. General definitions

The broadest definition of regulatory intervention is using state coercion to prohibit people from making an exchange. More specifically, the state, relying on its monopoly of the legitimate use of violence, can prohibit the sale of a certain product or can prohibit a sale above or below a certain price.[145] A common example for the latter—**price control**—is the

[144] Gallai, "Mennyire veszélyes Oroszország a Nyugat szabadságára?" [How dangerous is Russia to the liberty of the West?].

[145] Rothbard, *Man, Economy, and State*, 1075.

minimum wage law, which defines a so-called price floor below which employment is not allowed. Types for the former—**product control**—include (a) **total ban**, when a product cannot be sold or bought by anyone, and (b) **partial ban**, when a product can be sold or bought only by people with authorization. The forms of such authorization range from occupational licenses through compliance with labor and consumer protection rules to outright **monopoly grants** to certain producers, who are selected to fulfill a monopolized state activity.[146] Indeed, both partial ban and price control entail **prohibition**, for certain types of economic activities are outlawed—namely, the activity of those without the state's seal of approval. In a regulated market, only those can pursue a business who meet the state's requirements; everybody else is forcibly prevented from selling and/or buying (making offers). Unauthorized exchanges in a regulated market are subject to criminal persecution by the state.[147]

The result of partial ban is **creating barriers to entry** to a certain market, whereby those already in the market enjoy more or less protection from potential competitors, who need to pay a fixed cost before they could start competing. From the point of view of those who wish to enter, regulatory intervention counts as a specific instance of **closing an open market.** Weber distinguishes open and closed social relationships, writing that a relationship "will be spoken as 'open' to outsiders if and insofar as its system of order does not deny participation to anyone who wishes to join and is actually in a position to do so. A relationship will […] be called 'closed' against outsiders so far as […] participation of certain persons is excluded, limited or subjected to conditions."[148] Inspired by this distinction, we offer the following operational definitions for open and closed markets:

- **Open market** is a type of market where the entry of new competitors does not depend on the decision of the state or the market's incumbents (already entered market participants).

- **Closed market** is a type of market where the entry of new competitors depends on the decision of the state or the market's incumbents (already entered market participants).

In economic terms, the definition of open market is closest to that of perfect competition, the main difference being that in perfect competition there are no barriers to entry whatsoever,[149] whereas in an open market there can be barriers which are not set by the state or the incumbents (such as the cost of training or buying equipment to set up a business). On the other hand, the definition of closed market is closest to that of monopoly, the main difference being that a monopoly implies a single seller, whereas a closed market can have many sellers if the privilege of entering the market is granted to a high number of actors. Indeed, "closedness" implies not a single situation but a range of situations: **the higher the barriers the state or incumbents create, the more closed the market is**.

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[146] For a meta-analysis, see Dal Bó, "Regulatory Capture."

[147] Stigler, "The Theory of Economic Regulation," 13.

[148] Weber, *Economy and Society*, 43.

[149] Varian, *Intermediate Microeconomics*, 415–17.

While our definition allows for the possibility of private actors closing a market,[150] we now focus on state intervention and the cases **when closed markets are brought about by regulations**. Regulatory intervention favors incumbents, who can reduce production and increase prices—in short, can reach **higher profits**, other things being equal—as a result of the (partial) protection from potential competition.[151] Based on the idea of Szelényi and Mihályi, we can call the difference between the profit reached in the market when it is open and when it is closed rent.[152]

- **Rent** is the profit stemming from the lack of competition. More precisely, rent is the difference between (1) what income would have been in an open market and (2) the actual income, resulting from closing the market to certain participants.

Understood in this sense, rent is "an **opportunity cost measure**. This means that both revenue and production cost must be understood from the vantage point of opportunity cost. [Thus], the revenue from the sale of the resource is to be understood not as the actual revenue received from the sale but the potential revenue if the resource were sold at the market price. In other words, it is what would be obtained if the resources were used efficiently. Although it might be assumed that **the difference between what could potentially be received from the sale of a given quantity from the resource and the actual revenue received** is forgone earnings and therefore not subject to analysis of total rent, we emphasize that this 'forgone' amount is an essential element of the rent, and **its very existence reflects decisions that are made concerning the deployment of the wealth**" (emphasis added).[153]

Several definitions of rent in the literature are broader than this and closer to Adam Smith's notion of "reaping without sowing," that is, getting wealth without creating wealth.[154] However, most of the opportunities for this stem from the government closing open markets and rent-economists indeed predominantly analyze such cases.[155] Thus, using our definition of rent does not imply a rejection of the existing literature. Rather, we find this definition more adequate for the purposes of our framework, which focuses on regimes and how the political power structure affects the workings of the economy.

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150 The obvious case is when the entry depends on the ownership of a type of asset which cannot be obtained by anybody else but the market's incumbents, such as a patented technological innovation or a privately owned natural resource (which has no reasonable substitutes of). Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*, 64.

151 Varian, *Intermediate Microeconomics*, 445–51.

152 Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*, 57–58. Indeed, our definitions of "open" and "closed" market, while similar, are not the same as those of Szelényi and Mihályi. Yet the market we understand as closed is regarded as closed by them, too.

153 Gaddy and Ickes, "Russia's Dependence on Resources," 311.

154 For a meta-analysis, see Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*, 25–51.

155 Congleton and Hillman, *Companion to the Political Economy of Rent Seeking*.

5.4.2.2. From normatively to discretionally closed markets

In a regulated market—that is, a market closed by the state via regulatory intervention—who gets the privilege of competing depends on the decision of the state. **If the state's decision is based on normative criteria**, we can speak about a **normatively closed market**. Normative criteria are **predefined in formal laws** and, while they institute a barrier to entry, anyone who meets them is automatically let in the market to compete. Examples for normative criteria include various **licenses**, such as occupational or import licenses, the possessors of which get rents resulting from the artificially lowered intensity of competition.[156]

In a constitutional state with no corruption, no one is excluded from competing who meets the formal criteria. **If a public actor can discriminate among entrants**, that is, he can (a) let in an actor who does not meet the criteria (positive discrimination) and (b) exclude someone who does meet them (negative discrimination), we can speak about a **discretionally closed market**. In a corrupt state, one needs to bribe a public administrator to enter and is excluded if he refuses to pay, irrespective of compliance with the formal criteria. Thus, instead of normative rent-collection under a non-corrupt administration, opportunities for rent-seeking become custom-made.[157] However, **in a corrupt state the amplitude of arbitrariness is relatively low**, which means that there is a limit as to how much of a bribe can be asked and also whether the public administrator can change the terms of the deal and refuse to let in someone, discretionally, who has paid the prearranged kickback. **The political reasons** for this are that (1) **no corrupt actor can disable every control mechanism** or use the agencies of state coercion as servers of a corrupt network, and (2) **every public administrator is granted autonomy**, meaning they receive no orders from the top as to who to advantage or disadvantage specifically and they can engage in corrupt transactions "freely." This leads to **the economic reason** of limited bribes and the relative security of corrupt contracts, namely the **competitive nature of free-market corruption**. Basically, as there are many public administrators with similar competences, the supply of the corrupt service is not monopolistic but can be numerous. As Holcombe writes, "if [...] import licenses can be granted by dozens of customs houses in multiple ports of entry, rent-seekers can approach a second (or third) customs house if they are turned down by the first. The multiple customs houses will be competing with each other in the granting of rents [...], which will reduce the payoff they can demand."[158] Indeed, in such cases, the high level of competition and the low level of discretionality political actors can afford in closing markets might even tame corruption to become an informal but fixed barrier to entry, which entrepreneurs can calculate with as a "special customs levy," almost as if it was a legally enforced barrier.[159] Yet the fact that decision-making is still in the hands of a corrupt public administrator implies the presence of **risk of discretionality**, which means the market still counts as discretional—although it is rather close to a normatively closed market.[160]

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156 Stigler, "The Theory of Economic Regulation."

157 Kaufmann, "Corruption."

158 Holcombe, *Political Capitalism*, 2018, 115.

159 Weber also writes that corruption is mostly problematic when the bribes are "highly variable" and corrupt deals are "settled from case to case with every individual official." Weber, *Economy and Society*, 239–40.

160 Cf. Holcombe, *Political Capitalism*, 2018, 107–10.

Discretional closing is markedly different in a captured or criminal state, where corrupt actors have the opportunity to carry out **discretional regulatory intervention** (on the subregime- or the regime-level). As opposed to normative intervention such as licensure, discretional intervention targets certain actors and provides rewards or punishments to them. There are four ideal typical ways of discretional regulatory intervention, using informal as well as formal means (in actual cases, the ideal types can be combined):

1. **Formal discretional treatment.** The state can issue a discretional law like a custom-tailored lex [→ 4.3.4.2] in which it grants a competitive advantage (or disadvantage) to a certain firm, such as exempting it from (or forcing to) a preexisting or newly introduced regulatory requirement the others—active and potential competitors—must (or need not to) meet.

2. **Informal discretional treatment.** The competitive advantage (or disadvantage) can also be given by using informal means, such as combining regulations with selective law enforcement (supervisory intervention). *De jure*, all firms need to comply with the laws but supervision is, *de facto*, either inactive (positive discrimination) or more active against the rivals of the oligarch or front man (negative discrimination).

3. **Monopolization of a market.** A simple way of making favorable regulations discretional is to exclude everyone from an existing market besides the ones to be favored. After the market is cleared by regulatory intervention, the oligarch or front man is granted a monopoly right, enforced by state coercion, to be the sole suppliers of the given product.

4. **Creation of a market**. Finally, the state can create a market by commissioning a previously non-existent economic activity from private actors. Afterwards, in a formally normative but informally hampered competition for getting the right to produce (and reap the rent) the oligarch or front man is given the monopoly right to carry out the activity.

As we explained in the previous chapter, the use of direct discretional law, while not unprecedented,[161] is less typical than the use of indirect discretional law, that is, custom-tailored lexes. The creation of such lexes and formal discretional treatment in general usually requires a deactivation of regime-level controls, such as the constitutional court, which might nullify rules that violate the principle of competitive neutrality. Therefore, such treatment is possible typically in a criminal, but not a captured, state. At any rate, **the aim of discretional regulatory intervention is to close markets discretionally**: activities are allowed to chosen clients while others are either excluded from the market or need to comply with such rules and regulations the clients are exempted from.

Up to this point, we compared normative and discretionally closed markets on the basis of the form of state intervention. A second aspect they can be compared by is **the benefits of the incumbents**. In case of **normative regulations**, the benefits and losses are

[161] For example, in Russia in 2007 "a fundamental revision of the law on state corporations granted [oligarch's] conglomerates tax preferences, wide-ranging regulatory exemptions, and operational independence from local state bodies." Markus, "The Atlas That Has Not Shrugged," 111.

normative and non-excludable. Let us take the example of a tariff, which is the textbook case of rent creation in liberal democracy and indeed is none other but a regulatory requirement of paying a fee (tax) for entering a domestic market.[162] A tariff sets a barrier to entry to some kind of product, affecting everyone who produces it (normativity) and benefiting all the domestic producers who face competition of lower intensity (non-excludability). On the other hand, in case of the four ways of discretional regulatory intervention we identified, as well as discretional treatment resulting from occasional corrupt deals in a corrupt state, benefits are narrowed to the demanders of corrupt services. Only those who pay, or are appointed by a patron, for preferential treatment are treated discretionally, while other market incumbents indeed face losses (normatively) vis-à-vis the corrupt actor who got a competitive advantage. Thus, we can say that **in discretionally closed markets benefits are discretional and excludable**.

A third aspect to compare normatively and discretionally closed markets is by the character of **payments** of private to public actors for various services related to the obtainable rent. Indeed, there are three of such payments for state services: (1) payment to enter a closed market, (2) payment for creating a rent, and (3) payment for maintaining the rent, that is, to not to change the—normatively or discretionally beneficial—status quo.[163] In a normatively closed market, (1) implies a **normative fee** to be paid to the state administration, such as for registering in a certain profession (issuing a license or certificate etc.).[164] As for (2) and (3), politicians might request minor personal benefits or bribes but they mainly use these relations to **strengthen their political position** [→ 5.3]. Political benefits usually include campaign contributions from interest groups, which thus provide a competitive advantage to a politician or political party.[165] In a discretionally closed market of a **corrupt state**, only (1) appears as a payment of **bribes** to corrupt public administrators. **In cases of top-down state capture or a criminal state**, however, where informal patronal networks are developed, bribes as well as campaign contributions disappear. Indeed, as Grigory Yavlinsky points out, "using private business resources to secure elected positions [in a patronal autocracy] is rather difficult, both because elections are controlled by the authoritarian 'power vertical' and because very few elected positions confer any real power and freedom of action in the first place"[166] [→ 4.3.3, 4.3.4.4]. Instead, three other kinds of payments may be requested in (1)-(3) by patrons:

1. **personal benefits** in the form of protection money;
2. **economic benefits** in the form of informally getting partial ownership rights of the preferred economic actor's property (that is, making him, at least to a part of his property, a front man [→ 5.5.3.5]);

[162] Tullock, "The Welfare Costs of Tariffs, Monopolies, and Theft."

[163] In the literature, the request for this third kind of payment is called rent extraction. McChesney, *Money for Nothing*.

[164] Sometimes states do not require payment for these administrative services. In such cases, we can say that the requested payment is normatively zero.

[165] For a seminal paper, see Grossman and Helpman, "Protection for Sale."

[166] Yavlinsky, *The Putin System*, 103–4.

3. **patronal benefits** in form of loyalty towards, and obedience to the informal orders of, the patron.

Finally, normative and discretionally closed markets can be defined by the **nature of rent-seeking**. Although "rent-seeking" has come to denote the activity of reaping rents as well, in its original economic meaning the term refers to the efforts of market incumbents to persuade the government to erect barriers to entry and create rents for their benefit in the first place (hence they show "seeking" behavior).[167] In a **constitutional state**, although markets do become closed due to the use of regulatory intervention and outlawing some potential competitors, rent-seeking remains **open and competitive**, that is, there is no state-imposed barrier to entry to rent-seeking *per se*.[168] Anyone can lobby for favorable regulations—in a bottom-up fashion—whereas the government does not have a predefined list of winners (and losers) who would be given benefits—in a top-down fashion, regardless of their lobbying efforts.[169] However, this leads to what rent-seeking literature refers to as **rent dissipation**.[170] Interest groups spend resources on lobbying to capture the rents, and this constitutes a cost which decreases their benefits. Simply put, they do not just get the rent but have to pay a price for it, which in a competitive market, where several interest groups bid for the opportunities, might even reach the amount of the rent itself.[171] In other words, the profit the rent-seekers eventually get from their state-protected position must also include the cost of acquiring the position with a negative sign, and therefore rents are diminished as a result of the competition—that is, rents get dissipated.

The obvious way to reduce rent dissipation is to institute barriers to entry to rent-seeking, that is, to make the market for rent-seeking **closed and non-competitive**. As Holcombe points out, "[rent-seeking] that works to the advantage of those who create the rents must limit competition for those rents so that all the rents are not dissipated. […] **The creation of such a barrier to entry is easy to envision in an autocracy, because it is to the autocrat's advantage to do so**" (emphasis added).[172] As for the exact form of this barrier, Holcombe opines that it can be established "by limiting the grant of rents only to people who are close associates of the autocrat […] or to those who offer an explicit payment to the autocrat in exchange for the opportunity to capture a rent."[173] Indeed, the latter option fits the cronyism or bottom-up state capture pattern of corruption, whereas

[167] For the seminal work on the field, see Buchanan, Tollison, and Tullock, *Toward a Theory of the Rent-Seeking Society*.

[168] Holcombe argues that, in a democratic environment, the high transaction costs of the masses are (non-state imposed) barriers to entry to rent-seeking, and this is why it is virtually always the elite that gets the rents at the expense of the masses. Holcombe, *Political Capitalism*, 2018, 111–15.

[169] For a meta-analysis of rent-seeking contests, see Long, "The Theory of Contests: A Unified Model and Review of the Literature."

[170] Holcombe, *Political Capitalism*, 2018, 102–5.

[171] Mainstream literature on rent-seeking argues interest groups are willing to spend up to the value of the rent (so normal profit is reached, just like in perfect competition). Holcombe, relying on behavioral economics, argues that this outcome would require risk-taking behavior and that is unlikely, so smaller dissipation of rents is more probable. Holcombe, *Political Capitalism*, 2018, 107–10.

[172] Holcombe, *Political Capitalism*, 2018, 112.

[173] Holcombe, *Political Capitalism*, 2018, 107.

the former one can happen when an autocrat is able to dispose over all branches of power and close markets discretionally at will (that is, in a criminal state).

To sum up, Table 5.7 shows the main characteristics of normatively and discretionally closed markets. Our terminology can be well linked to that of North and his colleagues, whose comparison of open and limited-access orders ("natural states") apply to regimes with normatively and discretionally closed markets as well [→ 2.4.6]. Indeed, we are less optimistic about rent-seeking in liberal democracy than the authors, but we agree with their contention that rent-creation "that benefits only a narrow interest is […] much less likely to occur in an open access society than in a natural state. Conversely, rent-creation that benefits large and encompassing groups […] is much more likely to occur in an open access society than in a natural state."[174]

Table 5.7. Comparing normatively and discretionally closed markets.

<table>
<tr><th></th><th>Normatively closed market</th><th>Discretionally closed market</th></tr>
<tr><td>Decision about entry or exclusion</td><td>normative</td><td>discretional</td></tr>
<tr><td>Formality of regulations</td><td>formal</td><td>formal/informal</td></tr>
<tr><td>Benefits and losses of incumbents</td><td>normative (sectoral) and non-excludable</td><td>discretional (individual) and excludable</td></tr>
<tr><td>Payment for entry (non-exclusion)</td><td>• normative fee</td><td rowspan="2">• personal benefit (bribe money / protection money)
• economic benefit (ownership rights)
• patronal benefit (loyalty)</td></tr>
<tr><td>Payment for rent-creation (and maintenance)</td><td>• political benefits (e.g., campaign contribution)
• personal benefit (bribe money)</td></tr>
<tr><td>The nature of rent-seeking</td><td>open/competitive (no state-imposed barrier to entry)</td><td>closed/non-competitive (state-imposed barrier to entry)</td></tr>
</table>

5.4.2.3. The rent-seekers: from interest groups to patronal networks

Typically, rent is obtained by those who seek it. In other words, it is worth recalling the basic premise of relational economics, namely that policy decisions follow from relations: actors who might benefit (or lose out) from a regulation are incentivized to act for (or against) it and they influence and try to shape state functioning accordingly.

In a liberal democracy, such action is typically undertaken by **interest groups**, the main function of which is **interest representation** carried out in a legal and (ideal typically) transparent way [→ 4.3.2.3]. In theory, communal actors (such as citizens or churches), political actors (such as mayors or governors) and economic actors (such as employers or employees) can form interest groups in a liberal democracy.[175] In practice, ac-

[174] North, Wallis, and Weingast, *Violence and Social Orders*, 24.

[175] Berry and Wilcox, *The Interest Group Society*.

tors that tend to be most active are economic actors and big business, exerting influence on the sphere of political action. One of the reasons—besides the above-explained difference in the transaction costs of participation—is that it is less obvious for ordinary people how a change in the regulatory framework affects their everyday life, given that such changes often affect the industries directly whereas the people experience the effects indirectly. As Holcombe explains, "regulations often facilitate group formation, because it is easy for those in a regulated industry to see that they have a common interest in avoiding the costs imposed by regulation, and by enjoying any benefits that might be produced by it."[176]

Accordingly, we now focus on economic interest groups of major entrepreneurs, which may also be called **business groups**. We can derive important characteristics of these groups from the definitions as well as Holcombe's analysis. First, business groups are **made up of entrepreneurs from the same industry**. In other words, business groups are homogeneous by the activity of their members, from which it follows that business groups are **sector specific**. Furthermore, the members and the sector, by definition, are situated in a **separated sphere of social action**, namely the economic sphere, which is in formal/legal relation with the sphere of political action via **lobbyists**.

Second, we repeat what has already been stated in the analysis of normatively closed markets: that **regulatory intervention** as well as **the benefits and losses** of the group's members are **normative**. We repeat this point not only because it is crucial in distinguishing rent-seekers in normatively and discretionally closed markets, but also because **non-excludability** of benefits can be fully comprehended only in this context. From the point of view of a business group, non-excludability means that a member of the industry who may not even have entered the business group (or did enter but did not participate actively) will still receive the benefits of successful lobbying, given the same new regulations are going to apply to his firm as to those of the more active members. Therefore, non-excludability may lead to free riding, which is often cited as a hindrance to interest group formation.[177] Yet this is typically a less significant problem with business groups where individual participation of entrepreneurs carries greater weight in the competition for governmental favors.[178]

The fact that regulations and benefits are normative in a liberal democracy is well illustrated by a famous article by George Stigler, which identifies four ways of using a constitutional state's power for interest group benefit.[179] Stigler finds that (1) direct cash transfers, (2) regulation of control of new rivals, (3) regulation of suppliers of substitute products and (4) price fixing are the ways by which the state can help market participants reach higher profits. From these, (2)-(4) are normative interventions, benefiting everyone who produces a given product or belongs to a certain economic sector. The only one of these which can indeed be given to certain companies or people discretionally is (1), direct cash transfers. However, Stigler notes that "an industry with the power to obtain governmental favors usually does not use this power to get money," for "unless the list of beneficiaries can be limited by an acceptable device, whatever amount of subsidies the industry can obtain will be dissipated among

[176] Holcombe, *Political Capitalism*, 2018, 83.

[177] Holcombe, *Political Capitalism*, 2018, 81–83.

[178] For a meta-analysis of the theories of interest group influence in liberal democracy, see Gilens and Page, "Testing Theories of American Politics."

[179] Stigler, "The Theory of Economic Regulation."

a growing number of rivals."[180] Beyond that he himself talks about "an industry" and not "a person" or "a company," Stigler's observation is ideal typical to liberal democracies, where effective formal laws as well as the competition of various factions limit the constitutional state in determining specific individual targets for governmental benefits.[181]

The final characteristic feature of ideal typical business groups is that they are **horizontal alliances of autonomous actors**. In other words, while some members of the group may be more important in a given lobbying process, no one subordinates others in the group. Also, unlike some other interest groups, like the associations ("chambers") created and/or maintained with the help of the state, membership is not compulsory in business groups. Major entrepreneurs have the free entry (and free exit) option if they are part of the respective industry.

The character of rent-seekers is vastly different **in patronal regimes**. This follows from the lack of separation of the spheres of social action in general and that entrepreneurs disappear and are replaced by **oligarchs** as the main economic actors in particular [→ 3.4.1]. Theoretically, it is possible that autonomous oligarchs form a horizontal alliance and organize an "interest group," which will be different from the interest groups of market economies only in their means of pressuring the government (for they will employ informal as well as formal means). However, (1) this is possible only in transitional regimes, such as the oligarchic anarchy of transitions, or a patronal democracy, where no political actor gets unconstrained political power (and there can be autonomous oligarchs [→ 3.4.1.3]), and (2) it is more likely even under such circumstances that oligarchs get embedded in rival patronal networks and fight instead of forming an autonomous "interest group."[182]

It is worth comparing business groups—the basic unit of which is the entrepreneur—with informal patronal networks—the basic unit of which is the oligarch (Table 5.8). In contrast to the above outlined features of business groups, patronal networks are **made up of oligarchs from different industries**. In other words, patronal networks are heterogeneous by the activity of their members, from which it follows that business groups are **sector neutral**. Indeed, informal patronal networks are "all-eaters" in the sense that they are ideal typically not confined to a single economic sector but hold large portfolios of any sector they can seek rents from.[183] Furthermore, patronal networks are composed of actors of **colluding spheres of social action**, which includes poligarchs as well as oligarchs (and front men), who employ different types of **corruption brokers** as mediating actors, who carry out **interest collusion**.

Second, we repeat what has already been stated in the analysis of discretionally closed markets: **regulatory intervention** as well as **the benefits and losses** of the group's members are **discretional**. As for the former, regulations target not specific sectors or industries but specific people, and only those who accept the authority of the chief patron can enter a preexisting network. This is in sharp contrast with business groups, where entry to a market in general and the business group and lobbying process in particular is normative and (ideal typically) can be done by anyone who has the right material means.

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180 Stigler, "The Theory of Economic Regulation," 5.

181 Holcombe, *Political Capitalism*, 2018, 112.

182 Markus, "The Atlas That Has Not Shrugged," 106.

183 Hale, *Patronal Politics*, 98–110.

Moreover, while benefits and losses for interest groups were non-excludable, they indeed are **excludable** for the members of a patronal network. This means that the chief patron, who ultimately disposes over favors and punishments, can favor specific oligarchs while not favoring the others as a result of discretional regulatory intervention as well as the wide amplitude of arbitrariness associated with the chief patron.

Table 5.8. The main features of business groups and informal patronal networks.

Business group	**Informal patronal network**
composed of actors of **separated spheres** (**entrepreneurs** from the sphere of market action)	composed of actors of **colluding spheres** (**oligarchs** and **poligarchs**)
activity of participants is **homogeneous**	activity of participants is **heterogeneous**
sector specific	**sector neutral** ("all-eater")
uses **lobbyists** to carry out **interest representation**	uses **corruption brokers** to carry out **interest collusion**
respective state regulations are **normative**	respective state regulations are **discretional**
benefits and losses are **non-excludable**	benefits and losses are **excludable**
cohesion of the group is provided by **sector specific activity and benefits**	cohesion of the group is provided by belonging to the **same chain of vassalage**
horizontal alliance of **autonomous** actors	**vertical patron-client relation** of **dependent** actors

To sum up, ideal typical patronal networks embody **vertical patron-client relations of dependent actors**, as opposed to the horizontal relations of interest groups. Indeed, in a liberal democracy, where the spheres of social action are separated, business groups are the associations of the economic elite, whereas the members of the political elite are organized into a different type of groups: parties [→ 3.3.7–9]. In contrast, in a patronal autocracy, where the spheres of social action collude, political and economic elites merge and an informal patronal network, the adopted political family is formed. Therefore, **while lobbying is clearly distinguishable from corruption in a liberal democracy, in a patronal autocracy the two fade into each other**.[184]

5.4.2.4. Governmental rent collection: the rent-seeking state

Having dealt with state-created rents and rent-seeking, we can now reflect on a concept we introduced in Chapter 2—the rent-seeking state. Using the terms introduced in the previous part, we can say that **a rent-seeking state is a state that shows rent-seeking behavior, meaning that it closes markets for its own benefit.**[185] The state is the local monopolist of a number of (public) services and it collects taxes to finance them. If this way it sets

[184] Cf. Laki, "A trafikpiac folytatódó átalakítása 2014 és 2017 között" [The continuing restructuring of the tobacco-shop market in 2014–2017].

[185] Conybeare, "The Rent-Seeking State and Revenue Diversification."

a higher price in tax than what would have been if the services were on an open market, the state overtaxes and starts collecting rents [→ 2.4.4]. Spending these extra resources for private gain, cronyism or nepotism—services which the public would not pay for—is called favoritism. Common examples include expanding state bureaucracy/companies and offering positions with high salaries therein to friends or fellow party members; spending tax monies on extra benefits for politicians; or giving bailouts to particular firms.[186] While such benefits are discretional, neither these nor overtaxation are necessarily illegal. They are often created with the expansion of the state sector and positions related to the state, forming positions to give to party members (like positions in state-owned and state-controlled enterprises).[187]

It is important to note that the "rent-seeking state" is **not the same as the "rentier state,"** used in the literature when a state derives a substantial portion of its revenues from oil or from similar, "freely accessible" lucrative sources.[188] This is the most important divergence between our definition of rent and the mainstream one: in traditional understanding, exploiting a natural resource—such as oil or natural gas—counts as "reaping without sowing" and therefore pure rent collection.[189] In our understanding, exploiting a natural resource is not rent collection *per se*, for rents exist only to the extent of the difference between the actual and the open market profits. Nevertheless, a "rentier state"—understood in the traditional way—can still be rent-seeking in our terms, too. This is shown by Clifford G. Gaddy and Barry W. Ickes, who analyze natural-resource rent seeking in Russia by our definition of rent.[190] According to them, Russian energy rents are generated by five elements: reported costs excess of the open-market cost, which they call the "natural cost" of production; price subsidies; formal taxes; informal taxes, which in our terms are protection monies [→ 5.3.3.1] that are given out in overpriced contracts; and the after-tax profit of the enterprise. The authors explain that these benefits are shared among several actors, including Putin and regional patrons as well as the state budget and the formal owners of the energy company, who hide some of the profit to keep it for their own purposes and prevent its collection by the adopted political family.[191]

On the other hand, rents are generated by the fact that international energy-markets are closed, following the myriads of regulations and agreements in every country of interest, and therefore resource-owner states are able to collect rents in our sense as well (albeit not in that amount as if we counted their entire profit as rent). One might even claim the international energy market is, in fact, discretionally closed, as beyond normative regulations, entry to a national energy market by another nation often depends on political considerations and the prevailing geopolitics of the energy market, too [→ 5.3.4.4].[192] In some cases, even transit countries for energy can become rent-seekers: as Alexei Pikulik notes, the

[186] On party favoritism, see Kopecký and Spirova, "'Jobs for the Boys'?"

[187] Kozarzewski and Bałtowski, "Return of State-Owned Enterprises in Poland."

[188] Schlumberger, "Rents, Reform, and Authoritarianism in the Middle East."

[189] Pikulik, "Belarus, Russia, and Ukraine as Post-Soviet Rent-Seeking Regimes."

[190] Or rather a more formalized version of it. See Gaddy and Ickes, "Russia's Dependence on Resources," 311–12.

[191] Gaddy and Ickes, "Russia's Dependence on Resources," 317–24.

[192] Stulberg, "Out of Gas?"; Deák, "Captured by Power: The Expansion of the Paks Nuclear Power Plant."

geographical location of Belarus and Ukraine "allowed both countries significant leverage over Russia, and the ability to extract significant rents," which they pursued as "a rather deliberative strategy. […] One illustration of this was the proposal during the 1993 Massandra summit to write off Ukraine's gas debts to Russia, in exchange for the lease of the Sevastopol port and the sale of the Black Sea fleet to Russia. Another illustration is the purchase of Belarusian willingness to participate in integration projects with Russia (the Union State of Russia and Belarus, the Customs Union, and so forth) with generous energy grants."[193]

Possible combinations of the rent-seeking state and other states we have worked with so far in this chapter (corrupt/captured/criminal state) are shown in Table 5.9. Following the definitions of each state type, we can say that the ideal typical "state" as well as a corrupt state can be rent-seeking. On the other hand, a corrupt state as well as a captured state may involve illegal acts of rent creation/collection as well, which makes them potential kleptocratic states. Finally, a more extreme captured state or a criminal state reach the predatory state level [→ 2.4.3, 5.5.4–5].

Table 5.9. Intersections between interpretative layers of state action targeting property and legality.

Legality \ Action	State	Rent-seeking state	Kleptocratic state	Predatory state
State	+	+		
Corrupt state		+	+	
Captured state			+	+
Criminal state				+

5.4.3. Budgetary Intervention: The Forms of Taxation and Spending

5.4.3.1. General definitions

Budgetary intervention refers to the **coercive redistribution of wealth**, money or monetary property, **by the state**. Unlike regulatory intervention, which prohibits certain forms of market transactions in a single act, budgetary intervention is more of a **linked action** where coercive acts of state intervention are combined with non-coercive acts of budgetary spending.[194] As for the coercive acts, we can identify the most important source of revenue for any state—taxation.

- **Tax** is a form of state intervention, compelling a private actor—the taxpayer—to transfer wealth to the state as part of his legal economic functioning (on a regular basis).

[193] Pikulik, "Belarus, Russia, and Ukraine as Post-Soviet Rent-Seeking Regimes," 497.

[194] Acocella, *The Foundations of Economic Policy*, 247–75.

Taxes can be classified by several aspects.[195] However, as we are going to discuss budgetary intervention in terms of normativity and discretionality, the most pertinent aspect is **the target of the tax**, that is, the owners of the assets to be taxed. We may distinguish three types in this respect:

- **general tax,** which is a tax to be paid by the general public, that is, actors from multiple sectors of economic and communal spheres (income tax, value added tax etc.);
- **sectoral tax,** which is a tax to be paid by economic actors from a single economic sector (tax on banking, telecommunication, fast food etc.);
- **discretional tax,** which is a tax to be paid by (a) a single economic actor or (b) a small group of actors (companies, NGOs etc.) within an industry.

In their legally codified form, all three types of taxes use normative criteria to determine who to tax. But the three types still differ in their effect, that is, who is the one who actually pays the tax in the given economy. We can speak of a sectoral tax if there is an industry of numerous economic actors who all have to pay indiscriminately. In the case of a discretional tax, the normative criteria are specified and custom-tailored in a way that only a single actor or a small group of actors is compelled to pay it (or at least the tax burden is disproportionately more severe for them than for others in the same economic sector) [→ 4.3.4.2].

After tax is collected from private actors, the revenue is spent by the state.[196] The acts of government spending may be divided into two broad categories: transfers and public services.

- **Transfer** is the form of government spending when tax monies are given directly to certain (groups of) people, either in form of cash—which can be spent on anything the recipient wants—or some kind of voucher—which can be spent only on predefined goods or services.

- **Public service** is the form of government spending when tax monies are given indirectly to certain (groups of) people, in form of a (public) good or service the state spends the monies on.

Although neither of the two forms of government spending involve coercion *per se*, they are part of the linked action of coercive redistribution and therefore count as part of state intervention.

In a constitutional state, budgetary intervention is normative on both the taxing and the spending side. Indeed, even business groups in liberal democracies mainly seek to get favorable regulatory intervention and not budgetary one, because the latter tends to be more diffuse and it mostly targets the general population rather than certain economic sec-

195 For a mainstream typology, see Gruber, *Public Finance and Public Policy*, 524–27.

196 Acocella, *The Foundations of Economic Policy*, 329–49. Naturally, the state can also save money, which, however, is going to be spent at some future date.

tors.[197] Also, even when sectoral taxes are levied, the revenues they yield are often "earmarked," that is, dedicated to specific purposes related to the industry where they were collected from. Therefore, such redistribution is not particularly suitable for an interest group which aims at funneling tax monies from another sector to its own.[198]

In a corrupt state, budgetary intervention remains normative but its implementation becomes discretional, mainly through bribing tax collectors and the related control agents of the state. As taxation is the primary source of revenue for a state, it is crucial that it can fight this tendency, although it does not often have the power to do so. This was the case under Yeltsin in Russia, where the state was too weak—and also partially captured—so the central administration could not enforce tax regulations properly. Indeed, it was not until the Putin era that measures to improve the efficiency of tax collection were implemented (see Box 5.7). But besides protection from tax inspections by turning off higher-level controls, corrupt actors **in a captured state** can also offer discretional budgetary intervention, including handing out funds from subregime-level budgets to specific cronies or clients and trying to change regime-level tax rules from within the legislation. Discretional budgetary intervention is the easiest **in a criminal state**, where the chief patron has control over all branches of power, can levy taxes and also disposes over the budget and spending decisions of the state.

Box 5.7. Tax reforms in Russia under Putin.

"The Russian state's resort to revenue extraction by [taxation] was not initially successful. As the state fell deeper into the abyss of fiscal crisis in the late 1990s, the Yeltsin administration raised the threat of coercion against the largest corporate tax delinquents but could not strike sufficient fear to reverse the revenue decline. After the 1998 fiscal collapse, however, [. . .] a former tax police chief who insisted that 'people must learn to be afraid of us' led the government. [. . .] The political decision to keep coercion on a loose leash was visibly apparent in [the following] areas of tax collection: [first], the tax administration underwent an internal restructuring to strengthen extractive capacity, especially in relation to the large corporations that had previously been protected by political patrons. [. . .] Second, the police played a more prominent role in revenue extraction. [. . .] Third, the fine line of legal technicality that separates evasion from avoidance was smudged over by the police and prosecutors who determined that any violation of tax law [. . .] would bring punishment in equal measure. [. . .] In Putin's first term, the Russian state reasserted its fiscal interests in the transitional economy and by unleashing state coercion reverted back to revenue extraction by taking."

– Gerald M. Easter, "Revenue Imperatives: State over Market in Postcommunist Russia," in *The Political Economy of Russia*, ed. Neil Robinson (Lanham: Rowman & Littlefield Publishers, 2012), 57–61.

5.4.3.2. Taxation: the functions of levying taxes

Focusing on the income side of budgetary intervention, various states can be distinguished by what functions they levy taxes for. Among the possible functions of taxation, we may distinguish two groups. On the one hand, there are **normative functions**, which can be fulfilled by using taxation as normative state intervention, with target groups chosen on the basis of normative criteria and applied to everyone who meet those criteria. In the literature of mainstream economics (public finance), which focuses on normative state intervention, two such functions are identified. The first and most important one is **generating revenues**. As we mentioned earlier, taxation is one of the main sources of income for the state for financing various transfers and resources-using activities (public services). The second normative function of taxation is **inter-sectoral discrimination**, which may also be dubbed as economic penalization. Here, the state deems a certain economic activ-

[197] Holcombe and Boudreaux, "Regulation and Corruption."

[198] Wyrick and Arnold, "Earmarking as a Deterrent to Rent-Seeking"; Magyar, *Post-Communist Mafia State*, 160–61.

ity (sector) socially harmful and disprefers it vis-à-vis other alternatives. This manifests in state levies on the harmful activity to make it more costly for people to choose it; and as a consequence similar but non-harmful activities (sectors) get a competitive advantage. In a constitutional state, examples can be roughly divided into two groups, on the basis of whether the state deems the activity harmful (a) from the perspective of the individual or (b) from the perspective of the society (negative externalities).[199] For the former, an example is taxing fast food and thus giving healthy food a competitive advantage; for the latter, we can think of taxing gasoline or cars and thus making more environmentally friendly ways of travelling more attractive.[200] Also, in case of taxes on addictive goods such as alcohol or tobacco, while they belong to group (a), they are often levied to generate revenue, too, for the state can tax them at a high rate without pushing demand back (as demand for addictive goods is inelastic).

On the other hand, there is the group of **discretional functions** of taxation, which can be fulfilled by using taxation as discretional state intervention. We may distinguish three such (ideal typical) functions:[201]

- **intra-sectoral discrimination**, referring to the aim of creating a non-level playing field for competitors within a single economic sector, where some actors are taxed and others—the discretionally chosen beneficiaries—are not (or significantly less);
- **market acquisition**, referring to the aim of driving the incumbent actor(s) out of a market, clearing it for the entry of a discretionally chosen beneficiary;
- **political penalization**, referring to the aim of penalizing certain actors for political purposes, either to win the sympathy of the voters or to subjugate an autonomous or rival oligarch into a patronal network.

It is worth comparing taxes used to fulfill discretional functions to **fines**. For fines, which appear in every kind of state, are none other than discretional payment obligations, imposed on specific people for contravention of the law. This means that fines (1) are occasional obligations and (2) need to be paid for the violation of formal, normative rules, and (3) they are imposed in a normative process that afflicts everyone who meets the normative criterion of wrongdoing.[202] On the other hand, taxes levied for discretional purposes, though also discretional payment obligations, entail (1) continuous obligations for (2) the violation of informal, discretional rules (of the informal patronal network), and (3) imposition in a discretional process that afflicts those who are chosen discretionally by the chief patron.

Table 5.10 shows how normative and discretional functions can be fulfilled using different types of taxation. Starting with **general taxes**, they can be used **primarily to**

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[199] Gruber, *Public Finance and Public Policy*, 121–46.

[200] There are several taxes that are hard to categorize clearly as (a) or (b). For instance, a tax on fast food is usually communicated as belonging to group (a), whereas fast food consumption also has negative external effects: if more people need to use state healthcare, the state needs to spend more of the people's money on it. See Varian, *Intermediate Microeconomics*, 302–4.

[201] Magyar, *Post-Communist Mafia State*, 161–69.

[202] This applies to the ideal typical "state" with no corruption. In a criminal state, fines can also be used systematically against a certain target, as part of discretional supervisory intervention.

generate revenues. This is the case not only because general taxes can be spread over a large number of people, each of whom has to pay a trivial sum compared to total revenue collected, but also because this way it is impossible to fulfill any other functions, as a general tax does not discriminate either between sectors or actors. Second, **sectoral taxes can primarily be used for inter-sectoral discrimination** while they **secondarily generate revenues** and can be used for **market acquisition** as well. Finally**, discretional taxes are the most suitable to fulfill any of the three discretional functions**. In terms of the budget, such taxes generate negligible revenues, and they only affect negatively target companies or individuals. What is essential is that these taxes' objective, beyond that of an interest in increasing the budget revenues, does not serve the societal interest but rather the elite interest of the adopted political family, its grip on power and accumulation of wealth.

Table 5.10. The possible functions of the three types of taxes.

	Generating revenue	Inter-sectoral discrimination	Intra-sectoral discrimination	Market acquisition	Political penalization
General tax	+++	–	–	–	–
Sectoral tax	++	+++	–	++	–
Discretional tax	+	–	+++	+++	+++

Legend: +++: primary function; ++: secondary function; +: tertiary function
White background refers to the normative and grey background, to the discretional functions.

While in the ideal typical "state" taxes are levied only to fulfill normative functions, **taxes with discretional functions appear in captured and criminal states**.[203] This is not to say that all taxes become discretional: even mafia states collect a substantial part of their revenues from normative taxation, and they rely heavily on the redistributive methods used by constitutional states, too.[204] Indeed, this follows from the fact that, as we indicated above in Figure 5.11, states with higher forms of corruption do not abandon the interventions of states with lower forms but supplement them with new ones. In the cases examined above, the new methods added to the criminal state's arsenal are (1) the discretional tax and (2) the sectoral taxes of the new function of market acquisition.

5.4.3.3. Spending: modes and patterns of state expenditure

Turning to the expenditure side of the budget, to be able to distinguish the redistributive policies of different regimes, it is necessary to analytically divide two levels: (1) **the modes of state expenditure**, which refers to certain directions of money flows—that they benefit which groups of people—and how tax monies are spent on transfers and public services, and (2) the **patterns of expenditure**, which are made up of certain modes of redistribution depending on the given situation and regime. In other words, while the modes are the

[203] In a corrupt state, there is no discretional budgetary intervention, only the discretional implementation of normative intervention.

[204] This point was made in a perceptive review of one of our earlier publications on the mafia state. Váradi, "Nothing But a Mafia State?"

"means," all of which can be used in various regimes in different combinations, the patterns will signify those combinations of modes that are particular to certain regime types.

Table 5.11 summarizes the three ideal typical modes of government expenditure. First, there is the **egalitarian mode**, where wealth is redistributed from the rich to the poor, that is, from the wealthiest half (or fifth, tenth etc.) of the population to the other, poorer part of the society. In constitutional states, the aim of such redistribution is not reaching equality of wealth but approaching equality of opportunity, or "limiting the domain of inequality."[205] This is expressed by the form of government expenditure connected to the egalitarian mode: direct transfer payments (e.g., subsidies and other means-tested benefits to the poor), on the one hand, and healthcare, education and other public services focusing on equality of opportunity in general and the needs of disadvantaged groups in particular, on the other hand.[206]

Second, there is the opposite of the egalitarian mode: the **elitist mode**. Here, state power is used to redistribute wealth from the poor to the rich, using direct payments (e.g., subsidies to major entrepreneurs), indirect payments (e.g., tax cuts to people down to the upper middle income groups), and such forms of public services which increase inequalities, rather than decreasing them, in the society. Comparing the egalitarian and the elitist modes, we may say that **the egalitarian mode serves, whereas the elitist mode perverts redistributive goals—**meaning the proper goals not from a normative egalitarian perspective but from the perspective of the general justification of redistribution as such.[207]

Table 5.11. The ideal typical modes of government expenditure.

	Beneficiaries	**Form of government expenditure**	
		Transfers	**Public services**
Egalitarian mode	**the poor** (up to the lower middle income groups)	**direct payment** (e.g., subsidies for the poor)	***serving*** **redistributive goals** (equality of opportunity)
Elitist mode	**the rich** (down to the upper middle income groups)	**direct payment** (e.g., subsidies to major entrepreneurs) **indirect payment** (e.g., tax cuts)	***perverting*** **redistributive goals** (increasing inequalities)
Cash-cow mode	**the leading political elite** (subregime- or regime-level)	**direct payment** (e.g., subsidies to the members of the leading political elite, overpricing) **indirect payment** (e.g., tax exemptions)	***neglecting*** **redistributive goals** (turning activities into de facto transfer payments)

Grey background refers to the discretional mode.

The third ideal typical mode of redistribution is the **cash-cow mode**. "Cash cow" in corruption literature refers to the source of money that corrupt actors tap into.[208] In our case, the

[205] Tobin, "On Limiting the Domain of Inequality."

[206] Grand, *The Strategy of Equality*.

[207] Barr, *Economics of the Welfare State*, 22–40; Ferge and Tausz, "Social Security in Hungary."

[208] Jávor and Jancsics, "Corrupt Governmental Networks."

cash cow is none other but the state, be it a local government on the subregime-level—in cases of captured states—or the national government on the regime level—in cases of criminal states. As far as expenditures are concerned, in contrast to the egalitarian and elitist modes, which had normative spending targets—the poor and the rich, respectively—in the cash-cow mode there is a discretional spending target, whereby tax monies are diverted and spent discretionally for the benefit of the leading political elite. Therefore, we can say that the **egalitarian and the elitist modes are normative, whereas the cash-cow mode is a discretional mode** of government expenditure.

Diversion of state revenues to the beneficiaries' hands in the cash-cow mode is done via direct transfers (e.g., subsidies and overpricing in public tenders) and indirect transfers (e.g., tax exemptions). And the cash-cow mode **transforms public services into *de facto* transfer payments**, meaning it is interested in public goods and services as far as they can be tapped and the leading political elite can divert monies from them. Thus, here **redistributive goals are neither served nor perverted but neglected**.

Ideal typically, **leaders change the patterns of state expenditure when elections are approaching.** For elections constitute a kind of "state of exception" in politics when those who usually, within a term, do not have direct access to political decision-making—the masses of ordinary people with suffrage—get a chance to vote about the leaders. In contrast, **within-term periods** constitute a more ordinary state of affairs, when the leading political elite can focus on narrower groups (normatively) or even individual actors (discretionally) rather than the whole electorate.[209]

In terms of government spending, we can express the difference between electoral and within-term periods by contrasting regular **support** to occasional **gifts**. Regular support appears in the within-term periods, when the leaders can decide by their principle who they want to prefer and set their policies accordingly. On the other hand, the leaders must focus on the electorate with a stronger emphasis during the election period, and they need to meet their expectations by supporting them—hence, we can say they give gifts on this occasion.[210]

In a constitutional state, the ruling political elite **supports normatively selected societal groups by normative modes of state expenditure in within-term periods**. The leaders may be either egalitarian or elitist (or even in favor of universal welfare services, giving both to the poor and the rich), depending on their ideological standpoint as well as the interest group pressure. But they define their spending targets by normative criteria.[211] In such states, the cash-cow mode might appear only as a deviance for the state is dominantly subordinated to the principle of societal interest. **The electoral periods are characterized by gifts** but also via normative budgetary spending: either poor or rich groups that have not been favored (or less-favored) receive favors in the form of direct or indirect transfers so they can be convinced to vote on the incumbents.

On the other hand, **in a mafia state**, the adopted political family runs on the principle of elite interest, which means the twin motives of power and wealth accumulation.

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209 de Mesquita et al., *The Logic of Political Survival*, 37–76.

210 For a seminal paper on electoral business cycles, see Rogoff and Sibert, "Elections and Macroeconomic Policy Cycles."

211 Esping-Andersen, *The Three Worlds of Welfare Capitalism*; Barr, *Economics of the Welfare State*.

From this, it follows that **in within-term periods they utilize as regular support (1) the cash-cow mode** to the benefit of the members of the single-pyramid patronal network, where the chief patron wants to maximize the scope of discretional budgetary favors and punishments, and **(2) the elitist mode**, which is needed to keep those societal groups at bay which are (a) too numerous for the chief patron to keep each of their members individually in a patron-client relation but they are (b) politically more active and (c) would have the means to confront the regime, to influence public opinion, to support opposition parties etc.[212] As for those who do not belong to either of these groups—the people below the middle income groups and outside the patronal network—they are simply neglected by the regime, in line with the amoral familism of the adopted political family [→ 3.6.2]. Indeed, in the ideal typical mafia state **the egalitarian mode appears only in the form of occasional gifts in electoral periods** to those voting social groups who are neglected in within-term periods, such as pensioners and the rural poor.[213]

5.5. Ownership

5.5.1. Political Reorganization of Ownership Structure in the Post-Communist Region



When economic actors interact, they do so as **property owners**. For actors can act only with what they have, that is, what they can use and control. Indeed, **an economic system is an ownership system**, and owners as well as the dominant form(s) of ownership are definitive features of an economy.[214]

Since the collapse of the Soviet Union, both post-communist and Western economies have been regarded **capitalist mixed economies**, that is, the **combination of the dominance of private property**—i.e., most economic assets are owned by private actors—and **extensive state activism**.[215] As for the latter, we have already discussed the differences between state intervention in liberal democracies and patronal regimes. But as for the former, in order to understand differences in terms of ownership, we need to consider how private property or, even more so, **how large private property owners came into being** in the first place.

In the West, after the 18th century and the dusk of mercantilism, free trade and entrepreneurship allowed private capitalists largely independent from the political sphere to emerge. By the 19th century, Western states had started protecting property rights more normatively and selecting the "winners" in the economy more sparsely,[216] both of which

212 In general, we can say that the more wealth a voter has, the more the mafia state can deprive him of and thus the rulers can rely on methods of integrity breaking rather than the elitist mode of spending.

213 Golosov, "Machine Politics."

214 For a seminal paper, see Demsetz, "Toward a Theory of Property Rights."

215 Nelson, "Capitalism as a Mixed Economic System."

216 Kemp, *Industrialization in Nineteenth-Century Europe*.

were of paramount importance to (1) the separation of the spheres of political and market action, and (2) **a development of ownership structure driven mainly by market forces**.[217]

In contrast, the creation of private property and modern capitalism **in the East** was much more of a **politically driven process**. It was already like that at the time of the Industrial Revolution,[218] and it could be nothing else when private property regime had to be reintroduced after the collapse of the Soviet Empire. For private ownership was not simply unsecure, like in the times Western states did not protect property rights properly, but forbidden in communist dictatorships.[219] It was not enough to institute protection of private property rights (and even that was not achieved properly by regime-changing countries);[220] former state property had to be transformed to private property so they could start operating as capital in the economic sense. In the state-institutionalized process of privatization, **the state decided who may become the property owners**, or at least those who could become owners (1) had to obtain their property from the state, according to the state's rules, and they (2) had to operate in the legal environment created parallel to privatization. In theory, these could have also resulted, as a transition-expert economist put it, in "the separation of the private sphere of existence from the public domain, i.e. the relative autonomy of private economic activity from politics."[221] But in fact both of the previously mentioned features of obtaining ownership were far from normative and politically neutral.[222] Consequently, the result was a **lack of separation of the spheres of political and market action**, with different forms and degrees in different post-communist countries.

While politics and economy in the countries of the region have always been entangled, the point where a Western-type process of separation of the sphere of social action became irrevocably arrested and frozen was **the first political reorganization of the ownership structure—communist nationalizations.** Getting into power, the communists launched programs of (1) ordinary **nationalization**, seizing the means of production and making them state-owned,[223] and (2) **collectivization**, which meant the forced centralization of agricultural production into collective farms *(kolkhoz)*.[224] In line with the **ideological and political goals** of Marxism-Leninism, the capitalist class of owners of the means of production was targeted and liquidated, whereas newly created state property was put in motion under socialist central planning.[225] The **economic goal** of communist nationalizations was forced industrialization and modernization,[226] nominally under the Marxist-Leninist label of ending capitalism and the exploitation of the working class and peasantry.[227]

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217 Raico, "The Theory of Economic Development and the European Miracle."

218 Pomeranz, *The Great Divergence*; Henderson, *Industrial Revolution on the Continent*.

219 Szelényi, "Capitalisms After Communism."

220 Viktorov, "Russia's Network State and Reiderstvo Practices."

221 Bokros, *Accidental Occidental*, 81.

222 Soós, *Politics and Policies in Post-Communist Transition*.

223 Kucherov, "Property in the Soviet Union."

224 Iordachi and Bauerkamper, *The Collectivization of Agriculture in Communist Eastern Europe*.

225 Kornai, *The Socialist System*, 110–30.

226 Swianiewicz, *Forced Labour and Economic Development; an Enquiry into the Experience of Soviet Industrialization*.

227 Kornai, *The Socialist System*, 49–61.

After communist dictatorships collapsed, the then state-owned economies saw the region's second political reorganization of ownership structure: regime-changing privatization. The adjective "regime-changing" is important enough, and not only from a historical point of view. For unlike privatizations of state-owned corporations in the West, which are transparent market transactions that take place in cases of inefficient/ineffective operation or if public policy goals were not served by state management, privatization is a matter of creating property owners and a private economy after communism (see Box 5.8). Regime-changing privatization was similar to communist nationalization in the sense that it was also **a general ownership-type transformation**, that is, the changing of the economic system by altering the dominant type of ownership. On the other hand, several actors wanted to benefit personally from the privatization process, the **economic goal** of which—ownership-type transformation—was therefore corrupted by a **political goal** of power transformation.[228] This goal, of course, had different meaning for those who wanted to transform their nomenklatura-based powers and those who wanted to freshly obtain (political-economic) power as outsiders. Furthermore, privatization also had an **ideological goal**, namely justice-making for the people who had been robbed of their property during the time of the nationalization, on the one hand, and who had been robbed of their freedom by communist dictatorship, on the other hand.[229]

Box 5.8. The meaning of regime-changing privatization.

"In the context of transforming a command economy into a market-oriented one [. . .], privatization means not only the privatization of a few, albeit large and dominant, state-owned enterprises. It includes the *organic development of new private firms*, which is far more important than the denationalization of existing state-owned ones, inherited from the previous communist system. It implies the privatization of the whole national economy. It is supposed to bring about fundamental change in enterprise behavior and the incentive structure for managers at the helm of private and state-owned firms alike. Privatization of the national economy means, therefore, that the profit motive and the creation of more and more market value for owners, as principal stakeholders, is now a concept and consideration of paramount importance. [. . .] As a result, after privatization enterprises are supposed and expected to act, first and foremost, in the interest of their private owners [. . .]. From that moment onwards individual economic organizations no longer existed as mere administrative units of a single monstrous state entity; they were reconstituted as enterprises."

– Lajos Bokros, *Accidental Occidental: Economics and Culture of Transition in Mitteleuropa, the Baltic and the Balkan Area* (Budapest–New York: CEU Press, 2013), 80–81.

Privatization was key in creating the property owners as well as the dominance of private ownership, which is one of the prerequisites of a Western-type market economy. However, besides not creating a separation of market and political spheres, privatization and the resultant capitalist environment also featured a **legitimacy deficit** in the public eye. First, **the people generally identified privatization with robbery**: the way of how the nomenklatura or people with the right connections laid their hands on state property for negligible sums, thus accumulating huge fortunes by "stealing the wealth of the nation at daylight."[230] In Russia, the word *prikhvatizatsiya*, which translates as "grabitization," became a catchword in the related political discourse.[231] Second, because of the lack of private savings in the domestic market, the new owners who had capital at their disposal and joined a business by buying up a company or increasing its capital were often foreign owners,

[228] Frydman, Murphy, and Rapaczynski, *Capitalism with a Comrade's Face*.

[229] Klaus, *Renaissance*.

[230] Cf. Radygin, *Reforma Sobstvennosti v Rossii: Na Puti Iz Proshlogo v Budushchee [Reform of the Ownership in Russia: On the Way from Past to Future]*.

[231] Galuszka, "Red-Handed Russia"; Granville, "'Dermokratizatsiya' and Prikhvatizatsiya."

mostly multinational companies, especially in Central-Eastern Europe. This process could easily be seen by the people as **the country being "sold off" to foreigners,** whereas the privatizers as "servants of international capital." Finally, privatization and the collapse of the communist system had serious **collateral consequences for post-communist societies**. For those who were directly affected by unemployment or fear of unemployment in the aftermath of the regime change, facing the negative consequences of a growing social gap, the need for a redistribution of wealth could be drummed up over and over again, since the property that had come about through "common sacrifice" had been taken over by "commies" and "alien multinationals." Survey data collected by Frye and his colleagues in 2006 emphasize this point. Calculating weighed averages for the population of the three historical regions, only 18% in the Eastern-Orthodox and 17% in the Islamic region opined that the ownership structure created by privatization should be left unchanged, and the ratio of the same answer was only 20% in the Western-Christian region, too. Conversely, the ratio of those who urged the renationalization of formerly privatized property and keeping it in state hands afterwards was 22% in the Western-Christian, 34% in the Eastern-Orthodox, and 48% in the Islamic region.[232]

The legitimacy deficit of ownership relations in post-communist economies has often resulted in either active legitimation or passive acceptance from the people of the **third political reorganization of ownership structure: post-communist ownership redistribution**. While the communists abolished private property and the privatizers re-established it, chief patrons of single-pyramid patronal networks in the post-communist region **patronalize private property** or property that previously belonged to other patronal networks ("repatronalization"). The most important difference compared to the first two types of political reorganization is that **the primary focus of patronalization is changing informal, rather than formal, ownership**. This often involves changing the formal ownership as well, using various means of **predation** [→ 5.5.3–4] to move assets from the hands of autonomous entrepreneurs or rival oligarchs to loyal family members or the state that is under the chief patron's neopatrimonial control [→ 2.4.2]. Predation is the most conspicuous manifestation of the ownership-reorganization process, and this is what requires the above-mentioned active legitimation as well.[233] But the point of economic patronalization is to change the assets' informal ownership, or to make sure that no significant assets remain in the hands of competing patronal networks, and the assets belong to the ownership orbit of the adopted political family. Beyond formal owner-transfer, this can be achieved through the **forced change of patronal allegiance** as well, that is, subjugating oligarchs or major entrepreneurs (oligarch capture [→ 3.4.1]) and making them loyal actors, rather than taking over their property and giving it to someone already loyal. Either way is chosen, in the end **the chief patron becomes *de facto* owner of the property** as he can dispose over the booty from the top of the patronal hierarchy. The assets are no longer in autonomous/rival hands but in patronal ownership.

Focusing on formal ownership transfers, post-communist ownership redistribution is **markedly different from other types of reorganization of property in history**.

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232 Own calculations (using country population for weighing) based on Frye, *Property Rights and Property Wrongs*, 191; *The World Factbook 2006*.

233 Mihályi, "Votes, Ideology, and Self-Enrichment."

If we look at countries outside the region, the historical south European corporative autocratic regimes, for instance, did not replace the economic elite. True, the expropriation of Jewish fortunes formed an exception but no new layer of owners was brought about, and the plundered fortunes simply further enriched the existing Christian middle class. The expropriation of property was normative on racial grounds,[234] and the distribution of property was also normative and widely dispersed among the non-discriminated groups of the population.[235] Also, in dictatorships of the Soviet type all (productive) property was expropriated from capital owners, so the loss of property was normative on a class basis. The elite formed there was purely of a political nature. Their remuneration—as discussed earlier—was not in wealth, but in better provisions: higher pay, better living circumstances, allocation of flats or holiday homes, the possibility of shopping in stores operated in a system closed to others, access to things in short supply and various other privileges. But however keenly these appeared as desirable advantages and privileges in the eyes of those who were not offered them, they could not result in the amassment of significant fortunes. However, the situation is different **in post-communist ownership redistribution: predation of wealth is not normative, but discretional** and arbitrarily incidental.[236] Takeovers target specific owners and companies, rather than a group discriminated on normative grounds, and loyal members of the adopted family receive them also in a targeted manner. Those who are discretionally rewarded can accumulate massive fortunes from the booty that is redistributed to them (as well as from legal and illegal rent-seeking [→ 2.4.3], often carried out with the booty companies [→ 5.5.4]).

Focusing on both formal and informal ownership transfers, post-communist redistribution **differs from historical redistributions also in (1) magnitude and (2) timing**. As for (1), in the previous, normative processes of reorganization the entire economy was transformed, either from private to public ownership (communist nationalization) and public to private ownership (regime-changing privatization). In contrast, in post-communist ownership redistribution usually **not the entire economy is patronalized**, only the relevant sectors that are politically and economically worth patronalizing and can be patronalized.[237] This leads scholars like Mihályi, who focuses on formal ownership transfers in Hungary, to claim that the process is comparable to the previous reorganizations only because of its ideologically declared goals, not because of its economic significance.[238] However, the comparison is valid even without considering its ideological label (see below). First, post-communist ownership redistribution involves informal transfers as well as formal ones, meaning its magnitude is bigger than if we considered, with a Western-type focus on *de jure* property relations, only the formal changes in ownership. Second, post-communist ownership redistribution **lays the foundations of relational economy, meaning new kinds of economic mechanisms for the entire economy** [→ 5.6]. This is comparable

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234 Beker, *The Plunder of Jewish Property during the Holocaust*.

235 Aly, *Hitler's Beneficiaries*.

236 Madlovics and Magyar, "Post-Communist Predation."

237 The determinants of patronalization are discussed in our model of predation [→ 5.5.4.1].

238 Mihályi, "Az Orbán-korszak mint a nemzeti vagyon 6. újraelosztási kísérlete [The Orbán era as the 6th attempt at redistributing national wealth]."

to how communist nationalization grounds a planned economy and regime-changing privatization, the market economy.

As far as (2), or timing is concerned, what needs to be emphasized is two. First, **post-communist ownership redistribution has not happened in every post-communist country**, unlike the two other forms of political reorganization of ownership. Indeed, the process took place only where single-pyramid patronal networks were established (as well as predatory states), which can and do take over property discretionally, on the basis of patronal allegiance.[239] Yet it follows from the lack of separation of the spheres of social action that, when an adopted political family comes to power, even in a multi-pyramid setting, changes in economic policy take place in favor of the leading political elite, and that might result in private-owner transfers. Second, **post-communist ownership redistribution does not end but it is a continuous process in a patronal autocracy**. This follows from that not the entire economy is patronalized. As some sectors can operate autonomously, new firms or entrepreneurs may appear at any time who can be selected as prey by the predatory state [→ 5.5.4]. More generally, as circumstances change, the factors that determine whether an asset is worth taken over also change. Therefore, an asset that remains unmolested in one period may be selected by the chief patron for redistribution in the next period, based on his current political and economic considerations.

To sum up, **the economic and political goals** of the process reflect the principle of elite interest, that is, **accumulation of wealth—**as patronalization redistributes property to relationally tied actors—and **accumulation of power—**as patronalization monopolizes patronal networks by taking away assets from outsiders in favor of insiders. The **ideological label** for post-communist ownership redistribution is "ending the regime change," either by (a) "introducing a dictatorship of law" in place of the previous oligarchic anarchy[240] or, if such anarchy did not exist, (b) "building a national bourgeoisie" and justice-making by "taking back the fraudulently privatized assets from the commies."[241] These characteristics, as well as the main features of all types of political reorganization of ownership structure are summarized in Table 5.12.

An alternative way to conceptualize such ownership-reorganizations has been to use the analogy of primitive accumulation of capital, as described by Karl Marx in the first volume of *Capital*. The analogy builds on the emergence of a new layer of owners, who use probably unscrupulous means to become dominant economic actors, as well as the basis of a new kind of economic system or regime.[242] Yet we prefer the term "political reorganization of ownership" because (1) it puts the emphasis on the regimes' action, more in line with the purposes of our framework, and (2) it is a broader concept and therefore able to encompass cases which are, in fact, quite different from primitive accumulation as Marx described it. Using the Marxian analogy for communist nationalizations would be confusing because

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239 Melvin, "Authoritarian Pathways in Central Asia: A Comparison of Kazakhstan, the Kyrgyz Republic and Uzbekistan."

240 Kahn, "Vladimir Putin and the Rule of Law in Russia."

241 Magyar, *Post-Communist Mafia State*, 241–52.

242 Szelényi, "Capitalisms After Communism"; Holmstrom and Smith, "The Necessity of Gangster Capitalism"; Sárközy, *Illiberális kormányzás a liberális Európai Unióban* [Illiberal governance in the liberal European Union], 302–11. Also, see Chapters 26–33 in Marx, *Capital*.

those abolished, and did not create, private property, whereas the seized assets were further operated in a socialist economy and not a capitalist one (according to our terms [→ 5.6]).[243] Regime-changing privatization involved (1) the dismantling of public ownership and (2) the manipulation of a regime transition, whereas in Marx's description (1) property is accumulated from private actors (peasants) and (2) with the help of a strong and stable regime, securing property rights in land (enclosure). Finally, during primitive accumulation of capital, according to Marx, a flow of capital takes place between a pre-modern (agricultural) and modern (industrial) sector accompanied by a change of owners. In the case of the post-communist ownership redistribution, however, there is no momentum of modernization, only the controlled change of owners of already accumulated capital. Moreover, the beneficiaries of predation do not become entrepreneurs but oligarchs or front men. In terms of their social function, they are only exactors of rents who appear in the cloak of businessmen, empowered by the chief patron and fortified by a variety of monopoly grants [→ 3.4.1.2].

Table 5.12. The three types of political reorganization of ownership structure in the post-communist region.

Communist nationalization (abolishment of private property)	**Regime-changing privatization (re-establishment of private property)**	**Post-communist ownership redistribution (patronalization of private property)**
ownership-type transformation (from private to public ownership)	ownership-type transformation (from public to private ownership)	private property transfer (from autonomous/rival to patronal ownership)
nationalization, collectivization	privatization	predation / adoption
targets selected by class	targets selected by ownership type	targets selected by patronal allegiance
economic goal: modernization by forced industrialization **political goal**: neutralization or liquidation of the ownership classes	**economic goal**: running enterprise on the principles of market economy **political goal**: power transformation	**economic goal**: accumulation of wealth (running enterprise on relational principles) **political goal**: accumulation of power (monopolization of patronal networks)
ideological label: "dictatorship of the proletariat," "ending the exploitation of the working class and peasantry"	**ideological label**: "justice-making," "re-establishment of market economy"	**ideological label**: "ending the regime change," "building a national bourgeoisie"

5.5.2. Making a Privatization Profile: Technocratic and Non-Technocratic Motives[244]

Regime-changing privatization was an extremely complex process with great differences from country to country. Some of the differences were quantitative: although most of the transition countries had a private sector contributing more than 60% of their GDP by 2002, the extent of privatization varied from high—like in Hungary, Poland and Esto-

243 But see Burdekin, "Preobrazhensky's Theory of Primitive Socialist Accumulation."

244 We are indebted to Károly Attila Soós for his help and suggestions to this part.

nia—through moderate—like in Romania, Ukraine and Russia—to low—like in Moldova, Belarus, and Uzbekistan.[245] More interesting, though, from the viewpoint of our framework are the **qualitative differences**, namely the wide variety of methods by which privatization was carried out.

In this part, we provide **a typology of privatization methods, categorized by the motive of privatizing action**. As mentioned above, there could be three such motives: economic, ideological, and political, and each of them entails several methods from which the privatizers could choose. Naturally, no ruling elite was confined to a single motive, and therefore in no country was all the party state's property privatized by a uniform method. However, it is possible to analytically distinguish different ideal typical motives of regime-changing privatization and isolate ideal typical methods to fulfill those motives. This exercise yields a set of concepts that can be used to tell the story of privatization in every post-communist country or, in other words, to gather the **privatization profile** of a country of interest by identifying actual privatizing acts by the list we provide.

5.5.2.1. Technocratic dimensions: openness of the privatization market and the object of privatization

Economic goals of regime-changing privatization—and indeed any privatization—are threefold. The first goal is **changing the system of incentives** for the managers (owners) of economic units by instituting the profit motive. As Kornai explains, in a communist dictatorship "[none] of the profit from the state-owned firm passes automatically into the pockets of [the managers] and, conversely, they need not contribute out of their own pockets to any of the state-owned firm's losses. Since the connection between the 'personal pocket' and the residual income of the state-owned firm is entirely absent, [the] automatic, spontaneous incentive noted with private property does not apply."[246] This situation was to be changed by privatization, so the managers (owners) would benefit or lose in line with their market success and therefore would be incentivized to produce for the wishes of the costumers rather than by the wishes of the central planner. Second, privatization is a way to **raise budget revenues**, which was essential to the state when tax incomes plummeted as the economy fell into recession after the transition. Third, privatizers may want to carry out privatization to **restart economic growth**, which could be fueled by productive investments that are made by interested private owners.[247]

All of these goals center on **the technocratic motive of economic efficiency**. In this aspect, privatizing acts can be analyzed from two characteristics: (1) **the object of privatization** and (2) **the openness of the privatization market to outsiders** (outsiders from the point of view of the ruling elite). The object of privatization is important because of mainstream considerations of post-privatization regulatory treatment of an industry. Accordingly, different treatment is required for competitive industries—such as retail—than for natural monopolies or oligopolistic markets—such as natural resources or

[245] Lane, "Post-State Socialism," 22–23.

[246] Kornai, *The Socialist System*, 74.

[247] Bokros, *Accidental Occidental*, 84.

banking—which usually entail a stronger regulatory environment.[248] As for the openness of the privatization market, this dimension is important because (1) competition between would-be investors by strict requirements should yield better production at lower price than if the market is closed to outsiders and the privatized asset is pre-assigned to a given economic actor, and (2) higher competition entails lower **corruptibility potential**, that is, the opportunity for turning the normative decision about who to privatize an asset into a discretional one. In principle, the more complex the procedure is and the more the state decides about the terms of the transaction discretionally, the higher the corruptibility potential is.[249]

By the object of privatization, four methods can be differentiated (Table 5.13).[250] First, **when the state privatizes an activity**, that is, when it commissions a certain good or service from the private market instead of carrying it out on its own, we can speak about **contracting out**. In many countries, roads, schools and government offices are constructed for governments by private contractors, and services such as transportation, public safety services and recreational services are also often commissioned by the state.[251] In this case, the state takes the role of a **customer** on the private market, and the economic form of the given services is that of **artificial monopoly**. For the state, in case of contracting out, does not simply buy some goods or service that people usually purchase on the market but contracts out a governmental activity. One of the main arguments that the state should not carry out the activity by itself as a monopolist is that, in contracting out, there is competition among tender participants, which allows the state to reach lower prices and minimize governmental overtaxation [→ 2.4.3].

Second, when **the state privatizes a concession**, meaning it gives a special monopoly privilege to private firms to produce and supply (some part of) a particular service, we can speak about **franchising (licensing)**. Franchising is especially common in the case of goods which bear natural monopoly characteristics[252]—such as public utilities—but it

Table 5.13. Privatization methods by the object of privatization (technocratic dimension).

	What is privatized?	Special post-transfer relation of state to business	Post-transfer economic form
Contracting out	Activity	Customer	Artificial monopoly
Franchising (licensing)	Concession	Regulator	Artificial monopoly (oligopoly)
Direct privatization (partial)	Enterprise (+ assets)	Co-partner	Competitive firm (with potential state interference in the management)
Direct privatization (total)	Enterprise + assets	-	Competitive firm

248 Bokros, *Accidental Occidental*, 113–26.

249 Kaufmann and Siegelbaum, "Privatization and Corruption in Transition Economies."

250 Arakelyan, *Privatization as a Means to Property Redistribution*, 82–85.

251 Arakelyan, *Privatization as a Means to Property Redistribution*, 82.

252 Arakelyan, *Privatization as a Means to Property Redistribution*, 83–84.

can also take place if the state wants to keep a special eye on the given activity for public or other reasons—such as in the case of gambling or of the tobacco industry.[253] In cases of franchising, the state takes the role of a special **regulator** of the given industry (special in the sense that it regulates the industry more and with different rules than ordinary private enterprises), while the economic form of the licensed activity will be artificial monopoly or oligopoly.

Third, **when the state privatizes an enterprise and also its assets but only to a certain degree** (so the state still remains—typically minority—shareholder in the new private company), we speak about **partial direct privatization**. Indeed, this method often results in uncertainty for the private management. As Károly Attila Soós explains, after the regime change "in Russia and Ukraine companies were privatised without the land they stood on, i.e., with the land kept in state property. In Slovenia a similar uncertainty was generated by a peculiar minority shareholder activism of the public administration, based on the combined application of the state's and parastatal funds' minority shareholder positions and the state's role as policy maker, legislator and regulator."[254] Therefore, from a technocratic point of view, this method may be used only in the case of natural monopolies and so-called "strategic" industries.[255] In cases of partial direct privatization, the state takes the role of a **co-partner** in running the company, which, however, does take the economic form of a competitive firm (with potential state interference in the management).

Last but not least, **when the state privatizes an enterprise and does not remain a shareholder**, we can speak about **total direct privatization**. As Lajos Bokros explains, from a technocratic point of view this method is used mainly in the competitive sector (manufacturing, food processing, retail etc.) as "the state is […] incapable of restructuring, reorganizing, improving and then running a large number of business enterprises in an effective and efficient way."[256] Indeed, this was precisely the lesson of planned economies: that the state is unable to run competitive enterprises effectively, serving the interests of the consumers.[257] In cases of total direct privatization, the privatized enterprise becomes fully private and there is no special post-transfer relation of state to the business. Thus, the now private enterprise takes the economic form of an autonomous competitive firm.

Turning to the dimension of **the openness of the privatization market**, there are five different methods, which we list in an ascending order from the lowest to the highest **barriers to entry** or in a descending order from the most to the least open (closed) markets to outsiders (Table 5.14). First, there is **share issue privatization**, when a state-owned enterprise is privatized not in one piece but by public share offering (on the stock exchange). In this case, the only barrier to entry is the minimal monetary requirement of buying a share.[258] Second, when a state-owned enterprise is sold in one piece but in a transparent process where anyone can bid, we can speak about a **public auction**.[259]

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[253] Magyar, *Post-Communist Mafia State*, 188–95.

[254] Soós, *Politics and Policies in Post-Communist Transition*, 150.

[255] Soós, *Politics and Policies in Post-Communist Transition*, 122–24.

[256] Bokros, *Accidental Occidental*, 93.

[257] Kornai, *The Socialist System*, 228–61.

[258] Jones et al., "Share Issue Privatizations as Financial Means to Political and Economic Ends."

[259] Arakelyan, *Privatization as a Means to Property Redistribution*, 85.

Table 5.14. Privatization methods by the openness of the privatization market (technocratic dimension).

	Barriers to entry	Openness to outsiders	Corruptibility potential
Share issue privatization	Minimal monetary requirements	Open	Low
Public auction	High capital requirements	↓	↓
Public tender	Multi-criterion decision		
Restricted auction	Need for invitation		
Negotiated sale	Need for appointment by the leading political elite	Closed	High

In the previous two cases, the privatization market was an **open market** in the sense we defined the term in Part 5.4.2.1, given that anyone could enter and compete for the to-be privatized property regardless of the state's approval. The privatization market gets **normatively closed** in cases of **public tenders**, when the state does not let anyone bid but only those who meet multiple criteria (typically in cases of contracting out or franchising). Halfway between normatively and discretionally closed is the fourth method, **restricted auction**, when an invitation from the state is needed. In theory, invitations are made on the basis of normative criteria, but in practice this indeed already includes a high risk of discretionality. Finally, the privatization market gets **discretionally closed** in cases of **negotiated sales**, when it is the leading political elite that appoints the one who shall receive the to-be privatized property.[260]

5.5.2.2. Non-technocratic motives: justice-making and power transformation

The technocratic motive of efficiency is more common in privatization in established market economies than it was at the time of the regime change. Besides the fact that several privatizers had different intentions than achieving economic efficiency,[261] privatization by technocratic ideals was sometimes simply not achievable. This had four basic reasons:[262]

- **a suitable legal environment was absent** at the time of regime change—with a few Central European exceptions—that could have satisfactorily ensured the protection of private property and guaranteed appropriate and transparent rules of transition from state to private ownership;
- the collapse of the communist power structure often went hand in hand with **the breakdown of functions of state control**, with the result being that decisions

[260] Arakelyan, *Privatization as a Means to Property Redistribution*, 86. The level of openness is regarded "on default," meaning without corruption of the state's privatization process. If corruption enters the picture, it may turn any privatization market into a discretionally closed one.

[261] For a review of the related literature, see Soós, *Politics and Policies in Post-Communist Transition*, 25–29.

[262] Frydman and Rapaczynski, *Privatization in Eastern Europe*.

about the distribution of state property were made through a political machinery and state apparatus that were neither stable nor conscious of their temporary position;

- **there was no financially sound internal demand**, for under the conditions of state monopoly and the command economy no one could have accumulated assets close to what would have been needed;
- when an administrative market and command economy are collapsing, it is **impossible to determine the exact value of a former state corporation** in a market environment that has not even been established. After all, neither the price of the products nor the costs of production—nor for that matter supply and demand—had been shaped by market forces. (Of course, it could be suspected that the raw materials industry, which had been selling at depressed rates compared to international rates, would bring significant profits to those who managed to grab it.)[263]

In short, both deliberately and out of necessity, **non-technocratic motives of privatization** occurred. Among these, the two most important ones were **justice-making**—referring to rectifying the injustices of the communist dictatorship by giving the property to their rightful owners—and **power transformation**—referring to either transformation of the nomenklatura's communist political power into post-communist economic power or abusing the privatization process for the private gain of newcomers.

We can differentiate four privatization methods, which, although they have economic dimensions, are primarily concerned with the ideological goal of justice-making (Table 5.15). The first and simplest method is giving back property to those whom it had been taken from—that is, **reprivatization**. In cases of reprivatization, justice-making is based on the ownership structure of the pre-nationalization/pre-collectivization period, and the process aims at giving the nationalized properties to those who have a right to it as former owners. However, while this method **seems simple in theory**, it indeed is **much more complex in practice**. On the one hand, reprivatization is unlikely to lead to economic efficiency, as the (children or grandchildren of) those who the property had been taken from and were forced to make a living under the decades of a planned economy are probably not the most suitable actors to run these units in a modern and effective way. On the other hand—and perhaps, from the point of view of justice-making, more importantly—practically no property was left unchanged in the decades of communist nationalization: many old buildings were torn down or completely reconstructed; new buildings were built on some appropriated lands; appropriated capital goods were amortized etc. As a result, restoring the original state of the pieces of property was usually not practical (often not possible), and it was not always clear what exactly should be given back (and to whom). Therefore, opponents of restitution argued that "private claims can often be complicated and drawn out, bogging down privatization unnecessarily."[264] No wonder in most countries,

[263] Cf. Nureev, "Power-Property as a Path-Dependence Problem."

[264] Arakelyan, *Privatization as a Means to Property Redistribution*, 82.

reprivatization was largely limited to real estate (such as agricultural land) and affected productive assets only in a limited manner.[265]

Table 5.15. Privatization methods by dimensions of justice-making (ideological goal).

	Temporal dimension of justice-making	Legitimation basis of privatized ownership	Scope of privatized property
Reprivatization	Pre-nationalization / pre-collectivization period	Former owners	Former property
Compensation	Pre-nationalization / pre-collectivization period	Former owners	Optional property
Insider privatization (management-employee buyout, MEBO)	Pre-regime change period	Operators of the assets	Operated property
Free distribution among citizens (voucher)	Pre-regime change period	Citizens	Optional property

The second method of justice-making offers a solution to these problems. By **compensation**, former owners get not the same property that was taken from them but some optional property, comparable in value to the former (nationalized) property. This "optional property" sometimes took the form of so-called compensation vouchers, like in Hungary and Slovenia, where these vouchers could be used in privatization deals. "These vouchers increased the demand for the shares of all enterprises," writes Soós, "including medium-sized and large ones. However, their influence on the composition of the demand must have been negligible, because the compensation vouchers could be sold and purchased freely; they were even quoted at the stock exchanges […]. Prices of compensation vouchers fluctuated depending on the development of 'privatisation supply' and on the sometimes changing conditions of their use in privatisation. But the prices were always below the vouchers' nominal values. They ended up in households or other entities that wanted to purchase privatised assets anyway. With the vouchers bought at discount prices, buyers could purchase these assets somewhat more cheaply."[266]

The third method may be called **insider privatization**, but it has also been known as **management-employee buyout (MEBO)**.[267] Unlike in the previous cases, the temporal dimension of justice-making is not the pre-nationalization period but the pre-regime change one, on the principle that—paraphrasing the famous slogan—the company belongs to those who work it. Thus, by this method state-owned enterprises could be given to the operators of the assets, including management and employees. Employees had powerful positions in Poland and managers, in Russia, which gave this approach "the twin advantages of feasibility and political popularity."[268] However, in other countries, like Hungary, where MEBOs were carried out—sometimes through underhand means—the fact that

[265] Bokros, *Accidental Occidental*, 88–89.

[266] Soós, *Politics and Policies in Post-Communist Transition*, 29.

[267] Arakelyan, *Privatization as a Means to Property Redistribution*, 87–88.

[268] Arakelyan, *Privatization as a Means to Property Redistribution*, 87.

management would then come from the stratum of technocrats loyal to the previous regime contributed to the legitimacy deficit of the privatization process. Indeed, in such cases the process typically resulted in "red" and "green" barons emerging within the corporations who would either buy out existing management or remove the masses of the corporations' workers. This process usually coincided with the diversion of certain units or corporate stocks into new businesses tied to the management, often leading to the collapse of the large state (mostly industrial) corporations and the layoff of a significant share of their workers.

Last but not least, **free distribution among citizens** or mass voucher privatization relied on the principle that the only possibly just owners of the nationalized property are the people, that is, the citizens of the country themselves.[269] Thus, by issuing privatization vouchers or "coupons," millions of domestic owners were created almost overnight whereby citizens could invest the received vouchers into companies or through so-called privatization investment funds (PIFs).[270] PIFs "were either under the control of still state-owned banks (like in Czechoslovakia) or under the supervision of the state privatization agency (like in Romania) or—if they managed to collect and concentrate citizens' vouchers by the initiative of well-connected individuals—they were under unsupervised insider control. This latter arrangement represented the worst case and led to tremendous abuse."[271] Furthermore, this process resulted in a high degree of **fragmentation in ownership rights** and thus did not result in any substantial individual growth in wealth. The market price of the properties dropped, enabling a few individuals to take advantage of downwardly spiraling prices to concentrate property in their own hands and then, later, politicize their assets.

This leads us to the political goal of privatization, namely **transformation of the power of the nomenklatura** to private hands. This goal of privatization did not entail specific methods, given the process had to be informal by its very nature. Rather, it refers to a corruption of the privatization process as a whole, meaning that several of the previously described—and initially normative—methods were turned discretional from various directions.

Table 5.16. Privatization methods by dimensions of power transformation (political goal).

	Way of corrupting	Graduality of corrupting	Beneficiaries
Bottom-up power transformation	Making use of superior social and knowledge capital	Single stage	Outsiders (+ nomenklatura) in high number
Horizontal power transformation	Facilitating ownership concentration during secondary privatization	Multistage	Nomenklatura (+ outsiders) in high number
Top-down power transformation	Direct transformation ("the state privatizes itself")	Single stage	Nomenklatura in low number

269 Lewandowski, "The Political Context of Mass Privatization in Poland."

270 Arakelyan, *Privatization as a Means to Property Redistribution*, 95.

271 Bokros, *Accidental Occidental*, 90.

By the direction of corrupting the privatization process, we can distinguish three methods (Table 5.16). First, there is **bottom-up power transformation**. Here the intentions of the state were technocratic and privatization was an open competition, meaning there was no prior decision about who would be the winner of privatization bidding. There was **no central will to coordinate a transfer of the power of the nomenklatura. Yet the assets were still grabbed**, not necessarily by the most suitable economic actors with proper managerial know-how, but **mainly by nomenklaturists as well as outsiders with the right connections because they had the competitive advantage.** For, as we mentioned, there was no good way to determine the real market price of communist state property because it had been operated in a non-capitalist environment, outside the private market. Therefore, during regime-changing privatization, having good pieces of insider information, social capital or strong-tie networks [→ 6.2.1] could be utilized in laying hands on precious assets. As Szelényi explains, in Central Europe "social capital was unquestionably more important than political capital in acquiring wealth and obtaining positions under the post-communist regimes. Personal connections and information about the companies offered for privatization complemented the play of market forces. Privatization agencies often auctioned firms at prices below their actual value, and one needed contacts—both with the management of the enterprise and with the privatization agency—to get accurate information on what they were worth."[272]

Box 5.9. Primary and secondary privatization in Russia.

"[…] the main privatisation method applied in Russia from 1992 onwards was a solution that the government accepted […] only because otherwise Parliament would not have accepted the privatisation law at all. The reason was that only the amended law corresponded to the interests of enterprise managers who dominated the Parliament. […] In voucher privatisations, the shares beyond those given or sold to non-managerial employees and managers [ca. 50%] were sold to outsider investors […], but 29 percent was always to be sold (exchanged) for vouchers, in the form of auctions. […] These ownership forms were doomed to shrink […] for two reasons […]. First, employee ownership had little support in the legal systems, weak stimuli and not much legal support. Second, […] if the protection of the interests and rights of small shareholders is weak, the ownership structure tends to be highly concentrated. Being a small shareholder is not rewarding in such countries. [During secondary privatization in] Russia, Ukraine and Slovenia […], the stakes of managers increased and those of the non-managerial personnel diminished. […] Non-managerial employees were passive owners; only managers were active, and—largely by abusing their managerial positions—they slowly expropriated the stakes of the non-managerial personnel (and possibly those of other owners)."

– Károly Attila Soós, *Politics and Policies in Post-Communist Transition: Primary and Secondary Privatisation in Central Europe and the Former Soviet Union*, NED-New edition, 1 (Budapest–New York: CEU Press, 2011), 8, 51, 106, 109.

Second, there was what we call **horizontal power transformation**. In this case, the power of the nomenklatura was transferred not in a single discretional step but rather in a multistage process. First, a normative "primary privatization" was carried out, typically in the form of insider privatization or free distribution among citizens (voucher), which created a highly dispersed ownership structure. But in the following years, a so-called "secondary privatization" took place, which meant that people sold the vouchers and previously privatized assets concentrated in fewer hands. In countries such as the Czech Republic, this process took place normatively, meaning it was a free market process and the state did not interfere to make the nomenklaturists the beneficiaries of secondary privatization.[273] In countries such as Russia or Ukraine where insider privatization was dominant, however, the legal environment created during the regime

[272] Szelényi, "Capitalisms After Communism," 43. Also, see Eyal, Szelényi, and Townsley, *Making Capitalism Without Capitalists*.

[273] Soós, *Politics and Policies in Post-Communist Transition*, 105–10.

change preferred former nomenklaturists—new enterprise managers—who could, as a result, transfer the power of the nomenklatura to themselves during secondary privatization (see Box 5.9). In this process, a relatively high number—tens of thousands—of former nomenklaturists became dominant owners of medium-sized and even large companies, and the power of some company managers even became unlimited as they acquired significant ownership stakes in their economic units. These latter actors were the first oligarchs after the regime change.[274]

Finally, the method of **top-down power transformation** included what Olga Kryshtanovskaya and Stephen White describe as "privatization of the state by the state." In their analysis of the case of Russia, they point to several cases "when public officials, using their formal powers, [privatized] those sections of the state for which they [had been] themselves responsible. […] This kind of privatisation included wholesale changes in the system of economic management, banking and retail sale, and the sale of the most profitable enterprises. Ministries, for instance, were turned into concerns. The minister typically retired, or became a consultant to the concern that had succeeded the ministry. The president of the concern, as a rule, was a former deputy minister. The concern acquired the status of joint stock company. The shareholders were typically the most senior management of the former ministry, together with the enterprises for which it had been responsible. The ministry's property, in this way, became the private property of its leading officials; and they themselves did not simply privatise the organisation for which they were responsible, but did so for their own benefit."[275] Cases of this kind took place before the mass privatizations, the scope of which was therefore narrowed. Indeed, when economist Vitalii Naishull told Yeltsin's privatization minister that: "Your plans to privatize Russian Industry will never work. Everything has already been privatized and there's nothing left to give away," he was exaggerating, but not unfoundedly.[276]

According to Kryshtanovskaya and White, the party state granted five further privileges to the Soviet nomenklatura that helped them in power-transformation right before the regime change. Namely, they got exclusive rights in the first stages of economic reform in (1) the establishment of joint enterprises, (2) the conversion of assets into cash, (3) advantageous credits, (4) property dealings and (5) privileges in import-export operations.[277] This leads us to one of the questions that caused the legitimacy deficit of privatization, namely **the survival of the nomenklatura**. Looking at the three historical regions, we can see that in the Orthodox region **the Russian nomenklatura**—because of the above-mentioned reasons—**was among the most successful communist elites in retaining their power in the post-communist environment.** Kryshtanovskaya and White found that 61% of the business elite under Yeltsin were recruited from the former nomenklatura, whereas the ratio of nomenklatura members was 74.3% in the government and 75% in the top leadership.[278] Similarly higher numbers can only be seen in the **Islamic historical**

[274] Soós, Politics and Policies in Post-Communist Transition, 141.

[275] Kryshtanovskaya and White, "From Soviet Nomenklatura to Russian Elite," 720.

[276] Quoted by Buiter, "From Predation to Accumulation?," 606.

[277] Kryshtanovskaya and White, "From Soviet Nomenklatura to Russian Elite," 716–20.

[278] Kryshtanovskaya and White, "From Soviet Nomenklatura to Russian Elite," 729.

region, or Azerbaijan and Soviet Central Asia.[279] However, nomenklatura survival there was less due to privatization or other privileges but that (1) the first political leaders of the new regime were practically the same as the communist leaders and (2) they resisted mass privatization and argued for a "developmental state" (which, however, was indeed subordinated to the principle of elite interest and, thus, a criminal state).[280]

Finally, in the case of the **Western Christian historical region**, we can rely on the research of Iván and Szonja Szelényi.[281] Using a representative survey, they compared the successes of power transformation in Russia, Poland and Hungary (Table 5.17). According to them, **out of those who were members of the economic nomenklatura in 1988, five years later 56.6% were in elite positions in Poland and 29.2% in Hungary**. In contrast, they found a ratio of 81.8% in Russia.[282] These ratios, or rather the differences between the three historical regions, can be explained by the differences in the level of separation of the spheres of social action, on the one hand, and the magnitude of the change of political elite, on the other. Among the political nomenklaturists of the communist system, 67.7%, 27.5% and 21.9% retained their positions in the new elite in Russia, Poland and Hungary, respectively.[283] The change of economic elite, as we have seen, differed in relatively the same ratio in these countries. The reason for this is that, **as in communist countries the political and economic spheres were merged, the lower ratio of political nomenklatura survival went hand in hand with the lower ratio of economic nomenklatura survival, and vice versa**. The more the communists could preserve their political positions, the more they could transfer their former economic power as well.

Table 5.17. Destinations of the old economic nomenklatura. Source: Szelényi and Szelényi (1995, 627).

Class position of 1988 economic nomenklatura in 1993	Russia (N = 60)	Poland (N = 263)	Hungary (N = 82)
Elite	81.1	56.6	29.2
Non-elite with subordinates	13.2	12.6	18.3
Non-elite without subordinates	1.7	7.2	4.9
Retired	3.3	23.6	47.6

279 Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*.

280 Melvin, *Uzbekistan*.

281 Szelényi and Szelényi, "Circulation or Reproduction of Elites during the Postcommunist Transformation of Eastern Europe."

282 Szelényi and Szelényi use different numbers (and indeed define the economic elite differently) than Kryshtanovskaya and White. However, the numbers of the two pairs of authors are of the same order of magnitude and, thus, substantiate our point equally well.

283 Szelényi and Szelényi, "Circulation or Reproduction of Elites during the Postcommunist Transformation of Eastern Europe," 629.

5.5.3. Making a Patronalization Profile: Predation and Property Rights

While privatization created private markets in every post-communist country, a significant part of **nominally private property ended up in the hands of patronal networks** of oligarchs and poligarchs [→ 5.5.4.2]. This could happen in three ways: (a) **by privatization**, through one of the power-transformation methods described above; (b) **by market acquisitions**, buying up companies using the fortunes they accumulated through corrupt channels from the state (budget); or (c) **by predation**, meaning the coercive takeover of the non-monetary property (companies etc.) of other private actors using the state coercion or the services of violent entrepreneurs [→ 2.5].

Having described methods (a) and (b) already, we devote this part to method (c), **predation**. In Chapter 2, we defined predation as the coercive takeover of non-monetary property for private gain [→ 2.4.3]. It is important to emphasize that, in our terms, **not every coercive takeover of (private) property counts as predation**.[284] On the contrary, the definition is already narrowed to takeover of non-monetary property, and the element of private gain appears in the definition, too. In contrast, takeover of non-monetary property for public gain can be called "expropriation:"

- **Expropriation** is the coercive takeover of non-monetary property for public gain.

Expropriation may happen with **normative targeting**, that is, when property is taken from everyone who meets certain criteria (which are not unique to concrete, targeted persons). For example, we can think of **communist nationalization** and collectivization as one example, when non-monetary property (land, factories etc.) was expropriated normatively on a class basis, from groups like capitalists or "kulaks." On the other hand, expropriation with **discretional targeting** exists, too, meaning that the property is taken from some concrete, targeted persons. This happens in case-by-case nationalizations, like **eminent domain** in liberal democracies when chosen land for public purposes (like road building) is expropriated from those who happen to be its owners.[285] Such coercive takeover is not done for the private gain of politicians, for their own consumption, but for public gain and for the establishment of a good or service for many people's use. Furthermore, such discretional intervention in a liberal democracy cannot be done without **just compensation**, to quote the Takings Clause from the Fifth Amendment of the Constitution of the United States which says "private property [shall not] be taken for public use, without just compensation."[286]

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[284] Cf. Vahabi, *The Political Economy of Predation*, 41–45.

[285] Stoebuck, "A General Theory of Eminent Domain." Also, nationalization is a general term and refers to a method of state involvement in property takeover, and as such it will appear in both expropriation and predation [→ 5.5.3.3].

[286] Sullivan, "A Brief History of the Takings Clause."

Table 5.18. Different types of coercive takeover of non-monetary property.

	For public gain	For private gain
Normative targeting	· expropriation (of industry/market or assets of a discriminated group)	· predation (of industry/market or assets of a discriminated group)
Discretional targeting	· expropriation (of concrete assets)	· predation (of concrete assets)

In case of communist nationalizations, there was no compensation, whereas in post-communist ownership redistribution—carried out mainly by predation—compensation ranges from zero to the market price of the asset, depending on the potential cost of seizing that property [→ 5.5.4]. Predation can be divided into two categories, just like expropriation, based on the normativity of targeting (Table 5.18). In the case of normative targeting, we talk about market raiding below, when complete industries are taken over by the predatory state and reserved, with discretional regulatory intervention, as the monopoly of a predefined actor. On the other hand, predation for concrete assets is discussed below in the following section, showing how private as well as public actors can take over companies of other actors by coercive means.

5.5.3.1. From violent entrepreneurs to the criminal state: a typology of *reiderstvo* practices

Post-communist ownership redistribution involves **predation by the leading political elite**, using the bloodless means of state coercion. **But predation can be initiated by private actors as well**, such as in case when the organized underworld and or oligarchs take over the companies of other private actors. The general term for company takeover in the post-communist region is reiderstvo:[287]

- **Reiderstvo** is a type of predation that targets economic units (firms, companies, enterprises etc.).

Reiderstvo is a Russian word, derived from the English word "raiding." However, it would be misleading to try and apply terms such as "corporate raiding" or "hostile takeover" here in their Western meaning. While **hostile takeover in liberal democracies** is often considered immoral, the term refers to actions that are usually legal, just opposed actively by the target firm's incumbent management or board of directors.[288] Hostile takeovers in the West are rarely characterized by the illegal use of public authority—and physical violence is even more rare.

On the other hand, reiderstvo always involves illegal practices and the use of violence for private gain, aiming at the takeover of targeted economic units. Types of reiderstvo can be differentiated on the basis of the level of coercion employed by the initiators (Table 5.19). First, when the actors use direct physical violence, meaning the targeted company's owner hands out his property "at gunpoint," we can speak about black raiding:

287 Viktorov, "Russia's Network State and Reiderstvo Practices."

288 Schneper and Guillén, "Stakeholder Rights and Corporate Governance."

Table 5.19. Types and certain features of reiderstvo in post-communist regimes.

Strength of the state	Legality of raiding	The initiator or client of the corporate raiding			
		Organized upper-world: chief patron (top level public authority)	Low, middle or high level public authority	Rival entrepre-neurs or oligarchs	Organized under-world: criminal groups
Strong state	White raiding				
↓	Gray raiding				
Failed state	Black raiding				
Institutional environment and features of the raiding action		Criminal state	Corrupt/Captured state		Failed state
		Single-pyramid power network	Multi-pyramid power network		
		Monopolized	Oligarchic		Competitive
		Oligarch capture	State capture		n.a.

- **Black raiding** is a type of reiderstvo which is carried out by the direct threat or use of physical violence (physical abuse, extortion at gunpoint etc.). Black raiding is typically initiated by (a) the organized underworld (criminal groups) or (b) rival entrepreneurs or oligarchs.

The widespread phenomenon of black raiding assumes weak state power (including failed states in some cases) as well as a murky legal environment governing ownership. The transformation crisis of the early 1990s stripped the masses of their meagre but secure earnings while at the same time opening the field for the violent redistribution of newly privatized property.

Black raiding is **carried out by members of the organized underworld**, taking on the illegal role of violent entrepreneurs. **When instead of private violence**[289] **the initiators of reiderstvo rely on corrupted/captured state authorities**, we can speak about grey raiding:

- **Grey raiding** is a type of reiderstvo which is carried out by the use of state coercion in a corrupt or captured state. Grey raiding is typically initiated either by (a) rival entrepreneurs or oligarchs, (b) low, middle or high level members of public authority or (c) top level public authority.

[289] Legal violent entrepreneurs cannot be used for reiderstvo because reiderstvo is, by definition, illegal. In other words, if a legal violent entrepreneur is hired to carry out reiderstvo, he becomes illegal by definition.

Grey raiding is what Thomas Firestone identifies simply as "corporate raiding" in the post-communist region. As he writes, this phenomenon can be defined "as the seizure, or attempted seizure, of a business or a substantial part of its assets, through the corrupt reliance on a legal document, including, but not limited to, a court order, judicial decision, corporate resolution, corporate charter document, or state registration document. The execution of a corporate raid typically involves the following three stages: (1) the raider creates or corruptly obtains a legal document establishing faux legal title to some assets, usually shares or real property of a business; (2) the raider carries out a forcible takeover of the target property; and (3) the raider launders the seized property through a series of shell companies to an ostensible 'good faith purchaser' from whom it is essentially impossible to recover the property. [...] Each stage relies on abuse of the legal system."[290]

The initiators of grey raiding **are no longer necessarily criminal groups** but may be business rivals or even members of the lower, local levels of organs of public authority. In the former case, we can speak of a form of state-facilitated corporate crime, whereas in the latter case, corporate-facilitated state crime.[291] The necessary professional expertise is provided—in a fashion similar to that provided by corruption brokers—by **raiding brokers**, "professional service providers, such as lawyers or bankers, who charge a fee or take a percentage of the ultimate gain in exchange for facilitating a raid."[292]

Grey raiding prevails as a dominant form of reiderstvo when governmental actors lose control over the public administration and the bureaucrats start using state power over economic actors for their private gain (as it typically happens in weak states and did happen in Russia and Ukraine, during the post-transition period of oligarchic anarchy [→ 2.5]). Markus describes this phenomenon as **disorganized state threats to ownership rights**, meaning it consists of occasional, uncoordinated predatory acts of detached actors.[293] These actors do not have a long time-horizon; they think in the short-term and predate on what they find tempting target at the moment.[294] According to Markus, these bureaucrat predators act like "piranhas: voracious mini-beasts as lethal in groups as the shark, but also more vulnerable individually. Unlike sharks, piranhas never coordinate their attacks and habitually attack creatures larger than themselves. Predation in modern developing states is often conducted by high-powered mini-beasts: policemen, party functionaries, local administrators, directors of state-owned enterprises, tax collectors, or the agents at any of the myriad of departments with the power to halt productive activity (sanitation, fire safety, social security etc.)."[295] Indeed, this description reveals that anarchy prevails not only outside the state—where there is no monopolist of the legitimate use of violence protecting property rights—but also inside it, resulting in a chaotic, rather unpredictable relationship between the state and economic actors [→ 2.6].

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290 Firestone, "Armed Injustice," 563.

291 Friedrichs, *Trusted Criminals*, 159–62.

292 Rojansky, "Corporate Raiding in Ukraine," 429.

293 Markus, *Property, Predation, and Protection*, 27–46.

294 Thus, as Markus argues in a paper, these actors degrade into "roving bandits" from "stationary bandits," using Olson's categories [→ 7.4.7.2]. Markus, "Secure Property as a Bottom-Up Process."

295 Markus, *Property, Predation, and Protection*, 11.

Further, Markus's description suggests that the survival of the economic functions of state administration after transition, which to some extent is necessary during the time of nascent capitalism, is another prerequisite of top-down administration capture (besides state weakness). **Low level of codification** can also be mentioned as a factor that facilitates—to use a mixed metaphor—"fishing in troubled waters" by "piranhas." Indeed, poor codification is a well-known problem for several post-Soviet countries, especially in the Eastern-Orthodox historical region.[296] Finally, we should note that bureaucrats in this situation can easily become violent entrepreneurs [→ 2.5.1]. Relying on the legitimate use of violence by the state, **public administrators capitalize on their blackmailing power** and appropriate economic actors' property either (a) for their own private gain or (b) in exchange for bribe money from rival entrepreneurs or oligarchs, to whom they provide services at a price. Markus offers a list of services offered by Russian administrators in the mid-2000s (with prices), including:[297]

- inspection of a targeted firm by taxation agency ($4,000);
- court decision on property arrest / injunction against a shareholder meeting ($10,000-$30,000);
- opening of a criminal case against targeted owners ($50,000);
- closure of a criminal case through the Ministry of Internal Affairs ($30,000);
- a commercial court verdict against the targeted firm ($10,000-$100,000);
- arrest of a business competitor through the Ministry of Internal Affairs ($100,000);
- forcible office takeover ($10,000-$30,000).

In his book *Red Notice*, Bill Browder describes a case of grey raiding as follows. Answering the question "How do you steal a company?," he explains that "a company's owners can be illegally changed without you knowing if the person taking control of the company has the company's original seals, certificates of ownership, and registration files." In Browder's case, the police seized the necessary documents during an office raid. Later, three companies were fraudulently reregistered to another company, using the name of a man convicted for manslaughter in 2001. "Those documents were then used to forge a bunch of backdated contracts that claim your stolen company owes seventy-one million dollars to an empty shell company that you never did any business with. […] Those forged contracts were taken to court, and a lawyer who you didn't hire showed up to defend your companies. As soon as the case started, he pleaded guilty to seventy-one million dollars in liabilities."[298] This case is congruent with our description of grey raiding. It is no longer the criminal underworld that takes over the company, but neither is reiderstvo initiated by

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[296] Mizsei, "The New East European Patronal States and the Rule-of-Law."

[297] Markus, *Property, Predation, and Protection*, 62. We do not cite every element from the list for the sake of brevity.

[298] Browder, *Red Notice*, 204–5.

a chief patron. These attacks, as Browder puts it, "typically involved corrupt police officers fabricating criminal cases [and] corrupt judges approving the seizure of assets."[299]

As the transition period of oligarchic anarchy is coming to an end, this free competitive mode of grey raiding gradually loses its predominance and grey raiding comes to be organized either (a) around competing patronal networks, if a patronal democracy stabilizes (Ukraine), or (b) around a single-pyramid network, if a patronal autocracy is institutionalized (Russia). In the latter case, to use Markus's metaphor, the "piranhas" transform into "cleaner fish" who can eat food remnants out of the shark's mouth, which tolerates this "theft" as the amount of prey lost to the cleaner fish is miniscule. In a patronal autocracy, non-centrally led grey raiding does not disappear: Markus cites expert estimates, according to which in the 2005–2011 period the number of successful raiding attacks proceeded at a yearly pace of more than 10.000 firms in Russia (and 1.300 firms in Ukraine).[300] However, while "state agents may jeopardize some income streams that would otherwise benefit the state principal," "attacks on more fundamental ownership rights are the prerogative of state rulers."[301]

This leads us to the case **when reiderstvo is initiated by a predatory state**, that is, the leading political elite, and carried out by the agents of state coercion at the leaders' order. This is what we refer to as **centrally-led corporate raiding**, whereby property is appropriated by top authorities of the central state, typically at the command of and through coordination with the highest holder of executive power. This type of raiding becomes dominant in a regime when a multi-pyramid patronal system is replaced by a single-pyramid patronal system, and **raiding becomes a tool for subjugating oligarchs** who had enjoyed relative autonomy and fought their battles among themselves before. Here we can speak, not of state capture, but only of **oligarch capture**, which presumes the monopolization of political power by a patronal network [→ 3.4.1.4].

Centrally-led corporate raiding can employ various forms of raiding from Table 5.19. First, it **may involve grey raiding**, when bureaucrats are not corrupted in a bottom-up but a top-down fashion by top-level authorities to facilitate reiderstvo against a target company. According to Sakwa, the "classic weapons" of centrally-led corporate raiding include: "the acquisition of a minority stake that is then used to disrupt the work of the existing management; the launching of civil proceeding against the company, combined with the commencement of criminal proceedings against senior management […]; and various commercial approaches by groups connected in one way or another with the raider."[302] However, an autocratic chief patron who has control over legislation **has ample opportunity to use the last type of reiderstvo** as well: white raiding.

- **White raiding** is a type of reiderstvo which is carried out by the use of state coercion in a criminal state. White raiding is typically initiated by the organized upperworld, that is, (a) low, middle or high level members of public authority or (b) the chief patron as a top-level actor of public authority.

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[299] Browder, R*ed Notice,* 204.

[300] Markus, *Property, Predation, and Protection*, 57.

[301] Markus, *Property, Predation, and Protection*, 11.

[302] Sakwa, "Systemic Stalemate: Reiderstvo and the Dual State," 84.

Box 5.10. Reiderstvo and *siloviki* in Russia.

"The term *siloviki*, literally translated as "people of force," is used in Russia to define representatives from the security and military services, including former service personnel occupying positions of power in political and administrative authorities as well as in big business. At the level of the federal bureaucracy, *siloviki* are represented by a number of more or less coherent informal power networks inside the Russian ruling elite [. . .]. A hypothesis concerning the causes and persistence of corporate raiding was [. . .] that the main raiding groups were organized and controlled by high officials from the regional branches of the FSB who are the real beneficiaries of the largest hostile takeovers after 2000. This explains why only a fraction of all raiding cases were investigated by prosecutors and just a handful of raiders were sentenced in courts. Later academic studies on reiderstvo confirmed this thesis. [. . .] Following the re-emergence of the state monopoly on violence after 2000, the problem of criminality's capture of businesses had been to a large degree resolved. What happened instead, however, was not an installation of the rule of law, but the use of the judiciary, state apparatus and state monopoly on violence by *siloviki* networks for personal enrichment. *Siloviki* were successfully able to monetize their administrative resources by either capturing successful private businesses or taking a share of cash flows originating in these businesses."

– Ilja Viktorov, "Russia's Network State and Reiderstvo Practices: The Roots to Weak Property Rights Protection after the Post-Communist Transition," in *Stubborn Structures: Reconceptualizing Post-Communist Regimes*, ed. Bálint Magyar (Budapest–New York: CEU Press, 2019), 445–46.

By "white raiding"—breaking with the usual application of the term—we refer to a form of corporate raiding where **instead of the legal environment being misused, it is adapted and tailored to individuals and single companies in a targeted manner**. The single-pyramid patronal system creates white raiding's "legal" room for maneuver—as described in Chapter 4—through legislation and decrees. On the one hand, a feature of the resulting regulations is that the laws, contrary to their publicly stated function—namely, that they apply impartially to everyone—have been tailored to individuals or companies. On the other hand, these laws set regulations (bankruptcy law, tax evasion law, various safety rules and environmental protection prescriptions etc.) that make it possible for the dominant patronal network to drive the companies selected for reiderstvo into bankruptcy through politically selective law enforcement [→ 4.3.5.2]. This is how the legal environment serving the predatory character of the mafia state is brought into being.

In actual cases of centrally-led corporate raiding, white and grey-raiding techniques are often combined. Indeed, this is possible only when the chief patron has complete control over the instruments of public authority, because smooth cooperation is required between institutions for legislation (including the passage of decrees) and the tax authorities, secret services, prosecutor's office and police. The monopoly on power that is usually concentrated around the position of the president supplies the raw political force for replacing oligarchic anarchy with a form of criminal state, the mafia state. Such a switch took place in Russia, starting soon after Putin came to power (see Box 5.10), and it was attempted in Ukraine under chief patron Viktor Yanukovych as well, when "ministries have become weapons of the Presidential Administration against any business."[303]

Each post-communist regime has varied in traversing the spectrum from black raiding to white raiding, from spontaneously violent to centrally directed and "legalized" corporate raiding. **Russia progressed through all three stages**, ultimately (largely) monopolizing, centralizing and appropriating the means of expropriation by establishing a centrally directed form of corporate raiding that facilitates the accumulation of both power and wealth. Paradoxically, in accomplishing this centralization, it also created a certain form of property protection that is in some tension with the lower-level, guerilla actions characteristic of grey and black raiding.[304] The preconditions for secure ownership in the mafia state are, first, loyalty to

303 Rojansky, "Corporate Raiding in Ukraine," 427.

304 Volkov, *Violent Entrepreneurs*, 181–91.

the chief patron, and, second, a situation whereby closer circles of the adopted political family do not feel like grabbing the property in question. According to surveys conducted in 2008 and 2011, Russian managers with immobile assets[305] but personal connections to the adopted political family viewed their property rights as far more secure than those who did not have such connections.[306] However arbitrary the system may be, it creates more predictable security for private property than existed in the earlier period of oligarchic anarchy. Where the size of the empire demands it, the chief patron may delegate the right of corporate raiding and corruption (excluding the realms of raw material extraction and strategic branches of industry) to regional governors in the adopted political family, where the national system is replicated on a smaller scale [→ 2.2.2.2].

In Ukraine, the first two forms dominated, though corporate raiding directed from the presidential level became prominent when attempts were made by Leonid Kuchma and Viktor Yanukovych to establish single-pyramid systems.[307] The consolidation of these efforts was blocked by the Orange Revolution and the Euromaidan Revolution [→ 4.4.2.3]. In fact, after the latter revolution, the vacuum left by the dissolution of the state and the emergence of civil war was filled at the regional level by temporarily granting positions of public authority to locally dominant oligarchs.[308] **In Hungary,** by contrast, **the black and grey versions of corporate raiding were never present** due to the stability of its liberal political institutional system and the maturity of its legal institutions protecting private property. Skipping these first two "evolutionary" stages of raiding, **centrally-led raiding was introduced directly by the mafia state that Viktor Orbán** established after 2010.[309] And while in the **former Soviet republics of Central Asia** the economy was privatized to a much smaller degree, most of these countries skipped the first two stages just like Hungary. In countries like Azerbaijan, Kazakhstan and Uzbekistan, it was not the institutional system of liberal democracy, but former communist leaders holding onto power at the highest level that secured a monopoly on corporate raiding for the chief patron.

5.5.3.2. Towards patronalization: exogenous and endogenous property rights

Centrally-led corporate raiding is only one form of predation that can be used by predatory states. In the post-communist region, a variety of other methods appear in post-communist ownership redistribution. To analyze these practices as well as the result of the patronalization process in terms of ownership, **property rights** provide a fine analytical framework. For (1) what happens in case of coerced private-owner transfers is the violation of the property rights of target owners, and (2) by examining which rights of a property are exercised by whom, we can construct the result of patronalization, where *de jure* ownership and *de facto* disposition over property do not coincide (as in the case of liberal democracies).

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305 Indeed, asset mobility is a decisive factor in predation [→ 5.5.4.1].

306 Frye, *Property Rights and Property Wrongs*, 77.

307 Rojansky, "Corporate Raiding in Ukraine."

308 Konończuk, "Oligarchs after the Maidan."

309 Magyar, *Post-Communist Mafia State*, 179–95.

For the purposes of our framework, we differentiate between two types of rights:

- **exogenous property rights**, which refers to the rights of the owner vis-à-vis the state, or what the state is obliged to do (or not to do) with respect to his property;
- **endogenous property rights**, which refers to the rights of the owner vis-à-vis his property, or what he can actually do with what he owns.

It may be argued that this distinction is superfluous. For endogenous rights include exogenous rights: if I rightfully own a piece of property, that precisely means that I can act with it and others cannot, and this situation prevails only if others respect my rights and do not use what I own. However, we make this distinction not to make a normative philosophical point but to provide a positive analytical framework for description of real world cases. Indeed, it is analytically useful to make the distinction between exogenous and endogenous rights for two reasons. First, beyond leaving the rightful owner's property alone, further obligations of the state can be included in the bundle of exogenous rights which are universally respected by constitutional states but are violated by mafia states, bringing about predation and patronalization. Second, by the distinction we can elegantly split our description into two halves: the methods of predation by focusing on violations of exogenous rights of rightful owners, on the one hand, and the result of patronalization by focusing on the distribution of endogenous rights between oligarchs, poligarchs and front men, on the other.

5.5.3.3. Exogenous rights: types of nationalization

We use now **"nationalization"** as a general term for violations of exogenous rights of owners. However, **conflation of post-communist nationalization with (a) communist nationalizations and (b) nationalizations in liberal democracies should be avoided.** Nationalization, as practiced in post-communist autocracies—meaning the expropriation of private property through the coercive instruments of public authority—is fundamentally different in function from both its practice under capitalism and from how it works under the communist command economy, which is based on the monopoly of state ownership. Under capitalism, though non-economic objectives also appear among the motives of the regime, the operation of nationalized property nevertheless fits into the rationale of the market. In communist regimes, on the other hand, nationalizations constitute the entire system whereby the economy operates in a rather homogeneous way under the ownership of the party state, merging the spheres of political and market action. **In post-communist autocracies,** however, **nationalization** is part of post-communist ownership redistribution and **simultaneously serves (1) to increase the wealth of the adopted political family and (2) to provide regulated remuneration for those built into its vassal chain of rule**.

To avoid confusion, we introduce three categories for post-communist nationalizations.[310] Each category refers to a group of practices, put together by the criterion of violating one of three exogenous property rights we differentiate (Table 5.20):

[310] It should be noted that reiderstvo is a subtype of post-communist nationalizations, referring to acts that target companies (economic units).

- **Hot nationalization** is a type of predation that violates an exogenous property right, namely **the right to security and protection of property**. This right refers to the obligation of the state normatively to provide the protection of private property rights to everyone living under its authority.

- **Monopolizing nationalization** is a type of predation that violates an exogenous property right, namely **the right to carry out an economic activity**. This right refers to the obligation of the state not to close the entrance to private markets for those who wish to enter and are in a position to do so, and to not to take away the opportunity from those who have already entered.

- **Cold nationalization**[311] is a type of predation that violates an exogenous property right, namely **the right to fair treatment**. This right refers to the obligation of the state to treat every economic unit in a normative manner, taxing and regulating them according to predefined rules and not discretionally or according to the leading political elite's whim.

We now continue with differentiating ideal typical subtypes (i.e., practices) of each nationalization type. Naturally, real life cases are not ideal typical, and the various forms can also be combined in certain actions. However, to be able to analyze such processes, we need to first distinguish the "pure" types of nationalization, from which the description of more complex cases can be built up.

Among the types of hot nationalization, the first one we need to define is **renationalization:**

- **Renationalization** is a type of hot nationalization involving the complete seizure of a formerly privatized company by the state for a longer-lasting period.

In the context of post-communist patronal autocracies, renationalization means using property-taking intervention for private gain. By a transfer of ownership, a company that had been privatized before becomes, through no intermediate stages, a public company.[312] The second type, deprivatization, is similarly simple:

- **Deprivatization** is a type of hot nationalization involving the expansion of state shareholding among privatized companies.

311 We model this expression after "cold collectivization." In Polish agriculture at the time of the communist nationalization, the rulers did not feel they had enough power to collectivize the peasants' lands, so what they did was nationalizing their market environment: the state prevented the concentration of estates, which meant that the ownership structure of the private farms remained essentially the same from 1945–1970; it upheld the system of compulsorily submitting produce until 1972; wide use of state-set prices; the trade in agricultural tools and seeds was in state hands etc. Therefore, while there was no collectivization of lands *per se*, the situation could be described as "cold collectivization." Magyar, "Post World War II History of Polish Agriculture."

312 Chernykh, "Profit or Politics?," 1240.

Table 5.20. Nationalization methods (forms of violations of exogenous property rights) in predatory states.

	Violated exogenous right (type of nationalization)	Pre-transfer form of property	Mid-transfer form of property	Post-transfer form of property
Renationalization	Right to security and protection of property (hot nationalization)	Private (formerly privatized) company	–	Public company
Deprivatization		Private shares in private companies	–	Public shares in private companies and state-led holding structures
Bandit nationalization		Private property	Private property under state threat or deception	Public property
Transit nationalization		Private company	Public company	Private company (patronal)
Market raiding	Right to carry out an economic activity (monopolizing nationalization)	Private activity with normative license	–	Private activity with discretional license
Market acquiring nationalization		Private market	–	Public monopoly (franchise)
Competency nationalization		Private activity commissioned by a municipality	–	Private activity commissioned by the central state
Cold nationalization	Right to fair treatment (cold nationalization)	Private company	Private company with stifling economic environment	Private company (patronal)

However, the essence of the deprivatization policy lies in forcing state and private corporations in certain especially important strategic sectors (e.g., raw material extraction, military industry, or high-tech manufacturing) into a single state holding company. This method serves the power and financial purposes of the adopted political family, without completely blocking the economic operation of the companies belonging to this sector. This simultaneously serves a range of functions, from ensuring loyalty to the placement of front men and rents, in a sustainable manner.

In an empirical study, Lucy Chernykh analyzed 153 "champions" from the 200 largest Russian companies that were privately-controlled at the end of 2003. That year marked the starting point of patronal autocracy under Putin [→ 7.3.3.5], as well as the start of a large nationalization wave (post-communist ownership redistribution). For the aforementioned companies, which accounted for the 36.6% of the Russian GDP, Chernykh collected acquisitions data to identify companies that were targeted for a state takeover during the 2004–2008 period. He found 26 targets among them, 19 of which were taken over (14 majority—above 50%—and 5 blocking minority—at least 25%—control transfer); the remaining 7 takeovers were not finalized until the end of 2008. Chernykh found

that nationalization in Russia is dominated by political considerations, whereas firm-level profitability and economic importance were not systematically related to the likelihood of nationalization. Positive and significant relation between the tax evasion claim to a private company and its probability to be targeted for nationalization has been found, though, signifying the use of politically-selective law enforcement [→ 4.3.5.2]. State takeovers in Russia were also not targeted against foreign investors as all taken over companies were majority controlled by domestic private owners.[313]

In the two remaining methods of hot nationalization, there is an intermediary stage in the nationalization process between the ownership of the one without and the ownership of the one with patronal ties. The two types can be defined as follows:

- **Bandit nationalization** is a type of hot nationalization involving the nationalization of private assets after state threat or deception.

- **Transit nationalization** is a type of hot nationalization involving property-taking intervention against a target company, which is reprivatized to chosen actors at a later date.

"Bandit" in the label of bandit nationalization indeed refers to highway robbery, when the victim is called to hand over his property at gunpoint. Of course, this is not precisely what the leading political elite or the apparatus of a predatory state does, but the state indeed uses coercion, not in the form of violent but in the form of non-violent threats to carry out bandit nationalization. To illustrate this, let us take the example of **nationalizing the private pension funds** in 2011 in Hungary. To be able to liquidate the system of private pensions that had worked for more than a decade already, heightened emotions had to be aroused, eliciting the message about private pension funds that they were "laying waste to our money through speculations." Since even such communications criminalizing the funds were not enough, the capture of a vast majority of the 3,000 billion forint (ca. €10 billion) fortune had to be ensured through intimidation, the blackmail of pension fund members, raising the threat of losing state guaranteed pensions and the installation of an array of technical hurdles to be overcome to stay members of the private funds. The members of the funds were stripped of their savings without notable social dissent, paid off with the precarious promise of a future state pension.[314]

In the case of transit nationalization, the private company of an actor outside the adopted political family is taken into "temporary state care." By means of the interim phase of (re)nationalization, private fortunes are forced into the ownership orbit of the adopted political family. This method is needed primarily when the adopted political family does not have enough (formally) private resources, wealthy front men and banks to simply buy up companies, which would be a simpler and less conspicuous way of taking over individual companies.[315] Transit nationalization may be facilitated by prior actions of cold nationalization (see below), coercing the owner to surrender and eventually leave the market. A state

313 Chernykh, "Profit or Politics?"

314 Simonovits, "The Mandatory Private Pension Pillar in Hungary."

315 For examples, see Várhegyi, "The Banks of the Mafia State."

loan may be ensured to oil the reprivatization within the adopted political family. Indeed, it is a kind of "reprivatization what was defined as 'repeated privatization': nationalization of the already privatized companies followed up by the alternative 'fair' privatization."[316]

The second group of nationalization includes the types of **monopolizing nationalization**. Here, three types can be differentiated:

- **Market raiding** is a type of monopolizing nationalization involving (a) custom-tailoring the licensing requirements to certain economic actors or (b) the discretional revoking of the license of the competitors of the members of the adopted political family in a certain market.

- **Market-acquiring nationalization** is a type of monopolizing nationalization involving the nationalization of an economic activity or the right to it, making the previously private activity a state monopoly.

- **Competency nationalization** is a type of monopolizing nationalization involving the monopolization of an economic activity by revoking municipal governments' competence to commission it from private actors.

By these practices, the state does not strip owners of their business directly but monopolizes the economic activity in question. A typical case of **market raiding** is stipulating that only companies in state or municipal possession are permitted to carry out certain activities (such as local public transport, water management, waste management, metal trade etc.). As for **market-acquiring nationalization**, it is indeed the inverse of franchising privatization as it involves making the continuation of an activity conditional on a concession. After market-acquiring, the predatory state can either (a) decentralize the activity, redistributing the concessions in a process of decentralization, (b) centralize the activity and make it the sole province of a newly established state company, or (c) centralize the activity but partially privatize it via contracting out [→ 5.5.2.1] and therefore weaving lower-level private actors into the adopted political family's patronal network as subcontractors and occasional winners of public procurements. At any rate, the activity is put in the hands of economic actors patronally subordinated in the adopted political family to the chief patron. Thus, market-acquiring nationalization is different from regulatory changes in liberal democracies which may also force out previous competitors from the market and violate their right to carrying out an economic activity [→ 5.4.2], for there the activity is not carried out by the members of the leading political elite after the change.

Competency nationalization involves the centralization of municipal responsibilities in order to centralize the right to commission certain types of activity in the hands of the chief patron, who can thus give the state commissions to a discretionally chosen actor more easily. Indeed, competency nationalization should not be understood as "nationalization of competences" but rather as nationalization through competences. By centralizing the rights to decide who carries out an economic activity, the chief patron can dispose

316 Chernykh, "Profit or Politics?," 1240.

over the given economic sector, forcing out unwanted competitors and rewarding loyal members of the adopted political family.

The last type of nationalization is **cold nationalization**, which refers to creating a stifling economic environment for certain economic actors by state intervention. More specifically, the state can (1) use regulatory or budgetary intervention to make operation harder or/and (2) regulate or take over certain markets in the economic environment of the targeted actors. We do not distinguish subtypes, given there are way too many cold nationalization practices to create a useful typology. Rather, we explain the phenomenon in more detail. In cold nationalization, the state expropriates the market environs of a given economic sector without directly nationalizing the businesses involved in it. Techniques used for this include both direct and indirect means, described below in the context of predation [→ 5.5.4.1]. Measures like using state authority to determine prices, instituting discretional taxes or regulating/restricting fields of activity through custom-tailored lexes serve to bleed dry owners of businesses, to prepare for a permanent or transit nationalization of a business, to ensure the subordination of key players in a sector. Moreover, they personalize and impose a politically directed chain of command on market relations that otherwise, on the whole, involve impersonal connections and economic calculus [→ 6.2.2.2]. Cold nationalization does not necessarily turn into permanent nationalization or transit nationalization but opens the way to many potential ways to extract resources from businesses.

Cold nationalization tends to accompany the process whereby the adopted political family brings more economic positions into its orbit and wealth accumulates within the organized upperworld. For example, among post-communist countries that later became EU member states, market and economic prerogatives were tied naturally to the ownership of property, with some of these then becoming part of the state's domain through cold nationalization. Farther east, these prerogatives were only partially tied to nascent private property, if at all. In these countries, therefore, the task at hand for the mafia state is not the renationalization of entitlements but, rather, keeping them in state ownership.[317]

Comparing the Russian and Hungarian experiences, we can see that Orbán usually used transit-nationalization and monopolizing nationalization to redistribute markets on a relational base [→ 5.6.1.1],[318] while Putin has relied more on renationalization and deprivatization. In other words, in Hungary more of the redistributed property is *de jure* private than in Russia, where Putin relies more on direct state ownership.[319] With respect to the end result, the two methods are no different as they both bring property under *de facto* patronal ownership [→ 5.5.1]. That one chief patron prefers *de jure* private and the other, *de jure* public ownership may be explained by the level of regime consolidation. As we showed in Chapter 4, Hungary is the least while Russia, the most consolidated among patronal autocracies [→ 4.4.3.2]. **In a more consolidated autocracy, the chief patron can be confident that he will**

[317] Such entitlements may include the centralized disposal of raw-material distribution capacity and logistics, or the phenomenon often called overregulation, which makes it possible for the public authorities to harass and blackmail entrepreneurs in many unjustifiable ways.

[318] Magyar, *Post-Communist Mafia State*, 173–201.

[319] Hence, Fisun talks about "bureaucratic neopatrimonialism" (in addition to the "oligarchic" variant), characterized by "state-bureaucratic monopolies and semi-coercive centralization of neopatrimonial domination under super-presidentialism." Fisun, "Neopatrimonialism in Post-Soviet Eurasia," 91–92.

not lose state power, and therefore control over state companies; in a less consolidated autocracy, it is safer to keep property in *de jure* private hands, so it will not change hands in case of a change in government. Therefore, it is rational for a chief patron in the latter case to use hot nationalization of private firms less, whereas a more confident chief patron like Putin can use the state more directly, exercising ownership rights in a more open way.

5.5.3.4. Endogenous rights: the result of patronalization

In the previous parts, we showed in what ways private property can be redistributed by the adopted political family to its members. Now we focus on the result of this process, that is, the ownership structure that is formed as a result of post-communist ownership redistribution.

An analysis of property relations within the single-pyramid patronal network can be done by considering the status of **endogenous property rights**. These are typically listed as "property rights" by scholars, describing what it means when someone "owns" a piece of property or what he can do with it. In a seminal paper, Edella Schlager and Elinor Ostrom divide property rights into two groups: use rights and control rights.[320] Among **use rights**, they list:

- **access**, which is the right to enter a defined physical property;
- **withdrawal**, which is the right to obtain the 'products' (profit) of the property.

In contrast, **control rights** include the three following rights:

- **management**, which is the right to regulate internal use patterns and transform the property by making improvements;
- **exclusion**, which is the right to determinate who will have an access right, and how that right may be transferred;
- **alienation**, which is the right to sell or lease the rights of management and exclusion.[321]

An important point is that we understand these **rights as sociological descriptions** and not as the legal rights of certain actors. In other words, we are interested in not what the owners are entitled to do *de jure*, according to the legal documents that certify ownership, but that what they are able to do with a piece of property *de facto*. **In a liberal democracy**, this distinction would be unnecessary, for there—in the ideal typical case—***de jure* and *de facto* rights coincide**, meaning the owner can do exactly what he is formally entitled to do with his property. However, **in a patronal autocracy** or a single-pyramid patronal network that comes about as a result of patronalization, the ***de jure* and *de facto* rights of actors**

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320 Schlager and Ostrom, "Property-Rights Regimes and Natural Resources."

321 In the literature, there exist more expansive lists of use and control rights than this. (For a classic example, see Honoré, "Ownership.") The reason we stick to the work of Schlager and Ostrom in spite of this is that the five rights they list are satisfactory to underline the specificities of ownership of the members of a single-pyramid patronal network. This also means that one can use a more expansive list if he finds that necessary for the description of a given case.

diverge. That an economic actor is the *de jure* owner of a certain piece of property does not automatically mean that he can also use and control his property *de facto*.

To illustrate this, let us take ideal typical examples of economic units formally owned by economic actors in different regimes (Table 5.21). **In a liberal democracy**, that **an entrepreneur** owns a piece of property means two things: first, he **can exercise all use and control rights** associated with that property and, second, **a politician** (a political actor in a liberal democracy) **cannot interfere with how he exercises his rights**. This is what **the separation of the spheres of social action** means, that economic actors have **full autonomy** vis-à-vis political actors. True, politicians use state intervention, which regulates the use of private property. But these **regulations**—as we explained above—**are normative and also persistent**, meaning that they cannot be changed at the whim of a politician but rather by a complex, democratic process of lawmaking [→ 4.3.4]. Indeed, regulations do not interfere with the executive decisions of economic actors but define the boundaries of exercising endogenous rights—**they do not give orders what to do but specify what cannot be done**. In other words, the regulations of a constitutional state create the playing field on which the economic actors can operate, and political actors do not come to exercise the endogenous rights of a private company.

In a patronal autocracy, the situation is different because of the **lack of separation of the spheres of social action**. Let us take the examples of the two ideal typical economic actors of the adopted political family: economic front man and the oligarch. As for the former, **a low- or mid-profile front man has no use or control right over the property that he formally owns**. Indeed, the endogenous **property rights** of the front man's private property **are exercised by his patron**, an oligarch or a poligarch, and vis-à-vis his patron **the front man has no autonomy**. The low- and mid-profile front man's main function is the legal personalization of the patron's accumulated wealth, that is, to keep formally the wealth of a patron who could not legally own it. The situation is only slightly different in the case of a **high-profile front man**, who also takes on the role of operating shell compa-

Table 5.21. Endogenous property rights of actors in a liberal democracy and patronal autocracy.

		Liberal democracy **Opening**		**Patronal autocracy**			
		Liberal democracy ***De jure* ownership = *de facto* ownership** **Normative, persistent intervention**		**Patronal autocracy** ***De jure* ownership ≠ *de facto* ownership** **Discretional, *ad hoc* intervention**			
Endogenous rights		Entrepreneur	Politician	Economic front man (low- or mid-profile)	Economic front man (high-profile)	Oligarch	Poligarch (chief patron)
Use rights	Access	+	-	-	+	+	+
	Withdrawal	+	-	-	-	+ -	+
Control rights	Management	+	-	-	+	+	+
	Exclusion	+	-	-	-	+ -	+
	Alienation	+	-	-	-	+ -	+

nies. Thus, **the patron delegates him the right to access and manage his property**, but the rights to withdrawal, exclusion and alienation remain in the hands of the patron, who exercises them through the front man via informal ties.

To assess the situation of an **oligarch** in a single-pyramid patronal network, we need to recall that the oligarch is ultimately the high-profile front man of the chief patron. Therefore, on the one hand, oligarchs have the same rights as high-profile front men, meaning **they have rights to access and manage** their property. However, they also have some **autonomy over exclusion, withdrawal, and alienation**, yet this autonomy is **limited**. This stems from the fact that **the chief patron can decide** at his whim **to take over** the exercise of endogenous rights of his oligarchs' property. The intervention of the chief patron is **discretional and *ad hoc***: he does not have to follow any normative rule regarding with whom or when to intervene in the executive decisions of his clients. In addition, the chief patron sets **informal limits**, delimiting in a more or less normative manner what they cannot spend their formal wealth on. These limits are similar to formal state regulations in their effect and character but they are not codified and are enforced informally, through negative discretional state intervention toward the disobedient. A typical informal limit for oligarchs in patronal autocracies is **the prohibition of supporting political opponents** and setting up new patronal networks, given such action would violate the single-pyramid nature of the adopted political family.[322] Other informal limits may relate to **capital flight and inheritance**, that is, the movement of property abroad or to an heir's private hands.[323]

From the previous paragraph, it follows that **the chief patron is the ultimate owner of all the adopted political family's property**. He does not always exercise his rights and delegates some of the executive decisions to his clients, oligarchs and lower-level poligarchs, if he finds that more decentralized management is more efficient. But **the chief patron does have the *de facto* right to dispose over any of the property** in the family's ownership orbit while **he has no *de jure* right over any of the same property**. From a legal point of view, or in the eye of an observer accustomed to liberal democracies, the chief patron is not significantly different from a Western-type politician; neither of them has legal right to access, withdrawal, management, exclusion, or alienation of the private property of economic actors. However, while in an environment of separated spheres of social action this means that the politician indeed has no such rights, in an environment of colluding spheres of social action the chief patron has every *de facto* right to use and control the adopted political family's private assets.

5.5.3.5. The system of power&ownership: from market economy to relational economy

We finished the previous part by saying that an observer—let us say, a political scientist—who is accustomed to Western democracies cannot differentiate a poligarch from a politician, given they have the same formal identities. Similarly, we can say that an economist who is accustomed to Western market economies cannot differentiate between an entrepreneur and an oligarch—and for the same reason. If the spheres of social action are

[322] Cf. Markus, "The Atlas That Has Not Shrugged."

[323] "Billionaires in Moscow Try Building Dynasties for Post-Putin Era."

treated as if they were separated and the matching of *de jure* and *de facto* identities is taken for granted, the phenomenon of poligarchs and oligarchs cannot be comprehended.

This also has consequences for the dominant type of ownership. **In mainstream economic thinking, the dichotomy of private and state ownership** is dominant and economies are compared on this basis, namely whether they are based on the dominance of private or state property. As a matter of fact, regime-changing privatization aimed precisely at normative ownership-type transformation, that is, changing the dominance of state property to that of private property, and introducing capitalism as a result. But the private-public dichotomy falls short when it comes to post-communist countries and colluding spheres of social action, producing such allocation of property rights as described above. Thus, it is worth introducing a specific concept of ownership that refers to the lack of separation—the concept of power&ownership.

- **Power&ownership** is a type of ownership which is operated and protected by the informal political ties of the owner. Political ties may mean that the owner is a client—when he owns his property as an economic front man of his patron—or that he is a patron—when he owns his property as an oligarch or poligarch and also exercises ownership rights in the formal/legal property of his front men.

Power&ownership *(vlast&sobstvennost)* is widely known and used in the Russian literature.[324] Also, it has been recognized that **the dominance of power&ownership indicates a new economic system**, given it is the dominant ownership type that fundamentally defines an economic system. In the case of a command economy, we have seen the dominance of state ownership, whereas market economies are characterized by the dominance of private ownership. As for the economy where the dominant form of ownership is power&ownership, that can be called a **relational economy**.

We provide a comparative analysis of the three aforementioned types of economy in Part 5.6. At this point, it suffices to cite the work of Igor Berezhnoy and Vyacheslav Volchik, who analyze a developed regime based on power&ownership. According to them, such a regime has three fundamental characteristics: (1) "The granting of ownership rights for certain property is only possible with active participation of the state as the main agent of distribution (or redistribution);" (2) "Any property might be expropriated at any time if the authorities (at any level) become interested in its redistribution;" (3) "State or other authorities collect rent (either explicitly or implicitly) from the property within the framework of power&ownership."[325] Indeed, while feature (1) is characteristic of any relational economy, feature (3) refers to the ones which have kleptocratic states—where it is current incomes

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[324] Ryabov, "The Institution of Power&Ownership in the Former USSR" Indeed, Ryabov defines power&ownership more broadly and uses it for all kinds of collusions and mergers of the market and political spheres, including feudalism and communist dictatorships. In that understanding, state ownership would be the formal and impersonal type of power&ownership, whereas what we denote by this term would be the informal and personal type of it. However, while etymologically such extension of the definition is justified (there is indeed "power" that is linked to "ownership" in each case), we narrow the definition down to informal relations for the purposes of our framework.

[325] Berezhnoy and Volchik, *Issledovanie Ekonomicheskoy Ehvolutsii Instituta Vlasti-Sobstvennosti* [A Study of Economic Evolution of the Institution of Power&Ownership], 116.

which are illegally appropriated—and feature (2) holds true under a predatory state—where it is the capital, or the source of current income, that is illegally appropriated. Predatory states may engage in illegal appropriation of capital for political as well as economic gains, and the two are indeed hardly distinguishable under a system of power&ownership.

5.5.4. Predation and Economic Dynamics: Stalking Value, Hunting Value, and Booty Value

5.5.4.1. Predators and prey: the dynamics of ownership transfers in grey and white raiding

As economist Harold Demsetz explains, in any economy "[when] a transaction is concluded […], two bundles of property rights are exchanged. A bundle of rights often attaches to a physical commodity or service, but it is the value of the rights that determines the value of what is exchanged."[326] Using this understanding as a framework, we can say that various exchanges between market participants are none other than **ownership transfers**, and be it an exchange voluntary/coercive or formal/informal, it is bundles of property rights that change hands.

In a market economy of liberal democracy, the dynamics of ownership transfers is dominantly defined by **bilateral, voluntary decisions of buyers and sellers**. Regulatory interventions narrow the supply of goods and services to those that meet the state's normative requirements and budgetary interventions redistribute wealth from some groups to others, but these do not determine the ownership structure. Rather, they institute a framework or starting point for the actors in terms of wealth and opportunities, and they can alter this "initial" allocation freely in voluntary exchanges. Redistributed property will not entail further state privileges, nor complete state protection from the mechanism of profit and loss on the regulated market. Thus, the ownership structure is formed dominantly by voluntary market transactions.[327]

However, **as the character of ownership transfers shifts from voluntary to coercive, buyers become predators and sellers become prey**.[328] When actors take up these sociological roles, the dynamics of ownership transfers is predominantly defined by the **unilateral, coercive decisions of predators**. In patronal regimes, predators can either be (a) autonomous oligarchs (if the system is not single-pyramid), (b) chief patrons of adopted political families, or (c) sub-patrons who are granted the right to predate by their chief patron. When the prey in question is an economic unit (company etc.), we speak about reiderstvo, and when the bloodless means of state authority are used to carry it out, we either speak about grey raiding—the predominant predatory method of (a)—white raiding—the predominant predatory method of (b)—or the combination of the two—the predominant predatory method of (c).

326 Demsetz, "Toward a Theory of Property Rights," 163.

327 Poirot, "Ownership as a Social Function."

328 We will use the term "prey" both for prey company and the prey company's owner the sake of simplicity.

As predatory action is defined by the purposes of the predators, a descriptive model[329] can be developed best from their perspective, that is, **focusing on the factors the predators consider**. This is precisely the viewpoint that is offered by economist Mehrdad Vahabi, who has analyzed in several works the political economy of predation.[330] In an article entitled "A Positive Theory of the Predatory State," Vahabi distinguishes the **economic value** of an asset—which refers to its attractiveness in the eye of the market, or the price at which the asset can be sold in a voluntary transaction—and the **booty value** of an asset—which refers to its attractiveness in the eye of the predator, or what can be transferred from the asset through coercive takeover.[331] According to him, the booty value "depends on [the asset's] *exit option*. This option is determined by two factors: (1) the degree of difficulty of appropriating an asset; (2) the ability of an asset to escape appropriation. From an anti-predatory perspective, the more an asset is *mobile* and *invisible* (i.e., either having hidden ability or being easy to hide or disguise), the more resistant it is to confiscatory (appropriative) policies" (emphasis in original).[332]

While extremely useful, the notion of booty value needs further elaboration to describe adequately the dynamics of predation in the post-communist region. While we accept Vahabi's point that we should look at assets—in our terms, pieces of property—as the leading political elite does, analytically it is worth distinguishing asset values on the basis of which stage of the predation process they refer to. Accordingly, we divide **three consecutive phases of predation**:

- **the stalking phase**, when the predatory state is looking for a prey (here, the targeted asset has **stalking value**);
- **the hunting phase**, which starts when a prey is selected and involves the "chasing" of the target by means of state coercion (here, the targeted asset has **hunting value**);
- **the consuming phase**, which starts when the hunting phase ends successfully and the prey asset arrives at the ownership orbit of the adopted political family (here, the targeted asset has **booty value**).[333]

As we have seen above when we discussed different types of nationalization as well as grey and white raiding [→ 5.5.3], a predator can choose from a variety of targets, and for each type the same triad of phases applies. Details of predation nevertheless vary, but in the following we are going to analyze possibly the most representative example—centrally-led corporate raiding. This example is representative not only in an empirical sense but, more importantly to our toolkit, in a theoretical sense. Pre-modern predators like various

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329 We offer a less descriptive, more theoretical model embedded in the economic literature of the predatory state in Madlovics and Magyar, "Post-Communist Predation."

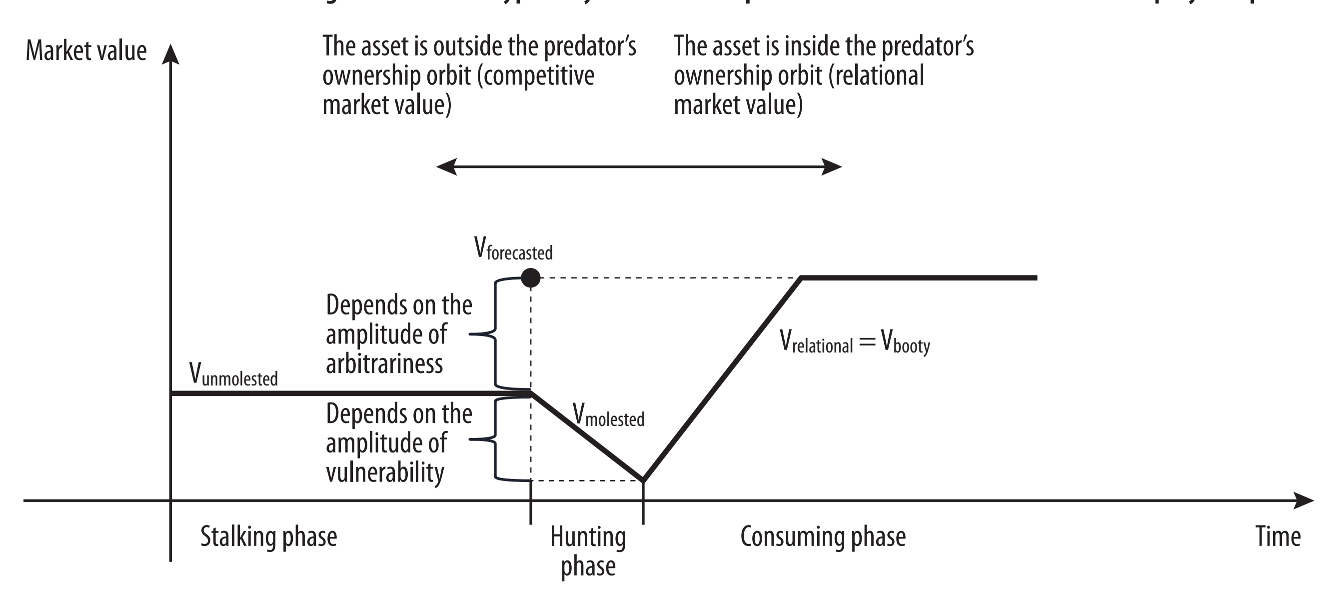
330 Vahabi, *The Political Economy of Predation*. Indeed, Vahabi's definition is broader than ours, but applicable to every case we focus on. Cf. Vahabi, 41–45.

331 Vahabi, "A Positive Theory of the Predatory State."

332 Vahabi, "A Positive Theory of the Predatory State," 157.

333 Note that, in Vahabi's paper, "booty value" refers to what we call "stalking value," meaning the value considered pre-predation. We use a different formulation that fits to the three-phase predation process better.

Figure 5.12. Ideal typical dynamics of competitive and relational market value of prey companies.



bandits[334] did expropriate property for their own private gain, but they were interested in the property as loot: valuables, merchandise, food etc. that can be consumed or sold, gold that can be used as money, and so on.[335] However, in the case of post-communist predators, the adopted political family does not take over a company for the reason to sell or consume its (physical) assets. Indeed, **the predator is interested in the property not as loot but as capital**: it wants to use it to enter a market and operate there, receiving various discretional favors from state intervention in the booty phase. This is the perspective from which post-communist predation can be understood; or more precisely, this is the motive of predatory action that can be modelled within the three consecutive phases.

In the following, we describe the three phases of predation, always distinguishing the value of the company (1) in the eye of the market and (2) in the eye of the predator (Figure 5.12). First, **in the stalking phase** the predatory state has not intervened yet, therefore the would-be target still operates unmolested. The price at which the respective company can be sold in a voluntary transaction expresses its attractiveness **in the eye of the market**—the company's **market value**—which is equal to its value without discretional state intervention. Being subject to only normative, public policy regulations but no discretionally targeted intervention, a company's value may be dubbed as **unmolested value**, which we will denote as V_u.

In the eye of the predatory state, however, what matters is **whether the company is worth taking over or not**. Indeed, what is relevant is not the value the predator is ready to pay in a voluntary transaction but (1) the costs of a coercive takeover and (2) the benefits which it can potentially enjoy after a successful takeover. In other words, what the predator considers is the company's **stalking value**, expressing whether the potential target is attractive enough to become an actual prey.

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334 Meaning both roving and stationary bandits, in the Olsonian sense [→ 7.4.7.2]. Cf. Vahabi, *The Political Economy of Predation*, 41–89.

335 Vahabi, "A Positive Theory of the Predatory State," 160–62.

The stalking value of the company is composed of two parts. First, it includes the company's **forecasted value**, which refers to the benefits the predator expects to realize once it seized the company and can use it as capital. The forecasted value is **the sum of (1) the company's market value and (2) the potential shelter-providing effect of state activity**.[336] What shelter provision refers to in this context is that **the predator would become a protector** after the transfer[337] and he will be able to use various means at the adopted political family's disposal to boost the asset and its value. More precisely, the asset can be supported by (1) **direct means**, meaning the employment of discretional state intervention in favor of the company, and—if the predator is a patron or sub-patron—(2) **indirect means**, meaning that the state and patronal media can boost the reputation of the company to make it more attractive for private actors in voluntary trades. Yet the effect of indirect means is rarely that private actors acknowledge a more advertised company as a better seller: rather, **it will become clear for the private market that the company is now under the aegis of the adopted political family, meaning it will reach high profits** as it is subject to boosting by discretional state intervention.

However, not every economic unit is equally suitable to benefit from discretional state intervention. From this respect, we may distinguish three kinds of company potential the predator considers: (a) **market potential**, which means that a single budgetary transfer or regulatory change can give the company such a boost that it can act more profitably on the market than before, even without further state support (one-time capital injection, a building permit with better conditions than otherwise etc.); (b) **rent-seeking potential**, which means that the market the company belongs to can be regulated in a way that the owner can reap (higher) rents (generating artificial demand for its products, using its technological capacity in a production chain that can produce rents etc.); and (c) **kleptocratic potential**, which means that the given company is suitable to illegal rent-seeking (it can receive public procurements that can be overpriced,[338] it can operate as part in a money-laundering scheme to transform public money to private money etc.). When calculating with these potentials, the predator must also take into account **the probability that he will be able to exploit these potentials**. This probability is determined by the amplitude of arbitrariness [→ 2.4.6]. Therefore, if the predation is **oligarchic**, the probability of exploiting the potentials is **low or moderate**, because the oligarch can only have partial control over state interventions in the case of a captured state. If the predation is **done by a sub-patron**, the probability is **higher** if he can count on the discretional intervention of the chief patron in favor of the company in the adopted political family's ownership orbit. Finally, if the predation is done by the **chief patron**, **probability becomes certainty** as he has unconstrained power to dispose over legislators in general and state interventions in particular (maximum amplitude of arbitrariness).

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336 According to scholars, in Russia "*reiderstvo* is practiced for straightforward economic reasons—a corrupt official or businessman sees a profitable company, and simply decides to take it." Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 80. Also, see Higgins, "Russia Wants Innovation, but It's Arresting Its Innovators."

337 Cf. Vahabi, *The Political Economy of Predation*, 69–76.

338 In the case of the predatory state's procurements (orders), any shell company that the chief patron founds may receive them. However, in the case of external (such as EU) funds, there often are eligibility requirements (legal, technical, or experience-related) which newly founded companies cannot meet.

In algebraic form, **the forecasted value** can be calculated as

$$V_f = V_{u,\,t-2} + S_{spp}$$

where V_f is the company's forecasted value, $V_{u,t-2}$ is the company's unmolested value in the stalking phase (that is, its market value two phases before the consuming phase which we take as a reference period), and S_{spp} is the potential shelter-providing effect of state activity.

Forecasted value becomes stalking value when three further factors are considered:

1. First, as Vahabi points out, the cost of appropriation decreases the value of the asset in the eye of the predator. In the stalking phase, when hunting has not started yet, the predatory state can calculate only **the potential cost of appropriation**, determined by the expected level of **resistance** the predatory state could meet should it enter the hunting phase. In other words, the potential cost includes (1) the resources the predator would need to spend to capture the prey and (2) the collateral damages hunting the prey down would cause.

   As far as the determinants of (1) and (2) are concerned, (1) involves, on the one hand, the price that the predator needs to pay the targeted owner for the prey. On the other hand, it rises in parallel with **mobility and appropriability** of the prey. According to Vahabi, mobility means the owners' ability to escape predation by removing his property from the reach of the predatory state (by hiding it or displacing it geographically).[339] Appropriability, however, is determined by (a) asset specificity, which in the case of a company means that "the continuation of particular investments requires specific entrepreneurial capabilities, including marketing, financing, monitoring, coordinating and networking abilities" which the predator might not have,[340] and (b) **the strength of krysha** above the prey. Indeed, a non-corrupt entrepreneur may have no krysha at all (i.e., no illegal political protection), but even members of an adopted political family can experience a weakening of krysha if the chief patron decides so (e.g., as punishment or tactics to revitalize the competition of sub-patrons [→ 2.2.2.2]). As for (2), **collateral damages** are considered by the predator only if (a) it is on the national level (so it is not a local-level predator), (b) it is in power, meaning the chief patron of the network is also the head of executive, and (c) the damages risk the political positions and stability of the patronal network. Among the damages, we can distinguish three types. First, there are **economic damages**, meaning the macroeconomic problems a coercive takeover can cause for the national economy (i.e., the voters). The possibility of economic damages exists in case of so-called "too big to fail" companies, that is, economic units (typically financial institutions) which are so large and interconnected with the rest of the economy that problems in their operation would spill over a large part of the national

339 Soós, "Tributes Paid through Special Taxes."

340 Vahabi, "A Positive Theory of the Predatory State," 157–60. Indeed, Vahabi lists four factors that influence appropriability (state accessibility, concentration or dispersal, asset specificity, and measurability) but from these only one—asset specificity—is relevant in case of modern predation.

economy as well.[341] Second, there can be purely **political damages**, meaning either domestic problems—if the takeover *per se* would trigger strong social resistance—or international problems—if the takeover would cause diplomatic tensions as it would be resisted by interested foreign countries and/or international organizations. The third possibility is that of **social damages**, when takeover and improper operation of a business would result in such problems in the supply of social services that the leading political elite would lose its popularity.

2. Second, the predator needs to consider **the potential integrity-breaking effect of state activity**. As we explained earlier, "integrity breaking" refers to the use of coercion to compel the current owner to hand over the asset (with or without compensation) [→ 3.6.3.2]. If we were talking about black raiding, we might need to consider this effect as a negative because the direct use of violence that is involved in such cases of reiderstvo can potentially damage the prey, which could then be taken over only in an amortized state.[342] However, in case of grey and white raiding, integrity-breaking is **done by the bloodless means of state authority**—indeed, the same arsenal of state activity which was described above, only used in a punitive way—which create a stifling environment only when the target is still a prey. Therefore, integrity-breaking in our case does not have a negative but rather a **positive effect**, which is a result of the fact that integrity breaking **decreases the price the predator will need to pay to the targeted company's owner for the prey**. The strength of integrity breaking or the amount of decrease the predator can reach depends solely on the amplitude of vulnerability [→ 5.4.1.2].
3. Finally, while integrity-breaking as well as shelter-providing effects contribute to the economic worthiness of the target, it may also have political worthiness if the goal of predation is not (exclusively) economic but political. Therefore, predation has **potential political gains**, typically when the chief patron looks for a target (a) to weaken a rival oligarch or (nascent) patronal network, (b) to take back the property of an out-of-favor (disloyal etc.) member of the adopted political family, (c) to use the asset in the political machinery (especially media) or (d) to use the asset as a bargaining chip, to improve the positions of the predator in later political or economic bargaining.[343]

In algebraic form, the **stalking value**—the value or attractiveness of a potential prey—can be calculated as

$$V_s = V_f + S_{ibp} + P - C_p$$

where V_s is the company's stalking value, V_f is the company's forecasted value, S_{ibp} is the potential integrity-breaking effect of state activity, P is the political gain, and C_p is the

[341] Stern and Feldman, *Too Big to Fail*.

[342] True, often it is not the prey company that is damaged but the prey owner (physical abuse).

[343] For examples, see Magyar, *Post-Communist Mafia State*, 198–99.

potential cost of appropriation. For an outside observer, it is **difficult to quantify** the political element of C_p and also P, for they have no monetary manifestation *per se* and purely depend on the subjective valuation of the chief patron (what price in money he is ready to pay to weaken a rival oligarch etc.). However, when it comes to takeover as a response to disloyalty, we can say that for the chief patron it is worth bearing virtually any cost to carry out the predation (P is virtually infinite). The simple reason is that, if the chief patron shows he does not punish disloyalty, his clients will not be loyal and he eventually becomes a "lame duck."[344] However, we can elaborate on this insight with the help of game theory as well, as we mentioned in the previous chapter. Namely, it is rational for the chief patron to adopt a so-called commitment strategy to crack down on disloyalty, meaning to show that he is willing to enter "a fight to the death" to make disloyalty unattractive for clients [→ 4.4.3.2].

The equation of stalking value is simply a **cost-benefit analysis**: C_p means the potential costs whereas all the other elements add up to the potential benefit. To mention the analysis' technical side, counting the potential effects of state intervention **requires intelligence acquisition**. As Markus explains, "[the] following information about the target company is critical to the raider's preparatory stage: ownership structure, detailed financial situation including outstanding debts, track record of company's legal violations, information on industrial relation within the target firm, personal information about the company executives, and so on."[345] Indeed, many of these pieces of information are either readily available for state agencies or they are entitled to request them during routine business inspections.[346] After everything is gathered, potential costs and benefits can be calculated. On the basis of the result, **if $V_S > 0$, the predatory state chooses the respective company as prey** (ideal typically). Usually, if predation is carried out for economic gain, large companies are chosen and most of the small and medium-sized enterprises are left alone (as far as predation is concerned), for the cost of appropriation would be higher than the potential benefit.[347]

When the prey is chosen, predation enters **the hunting phase**. The hunting phase starts with an **irrefusable offer** [→ 3.6.3.2]. The irrefusable offer is the first price that is set, one-sidedly, by the predator and offered to the targeted company's owner for the prey. **If the owner does refuse**, in spite of the obvious coercive capacity of the predator, **the process of integrity breaking starts**, at different points of which new offers (with lower and lower price) are made. As we mentioned, integrity breaking is carried out by the same arsenal of state activity that could be used to boost a company's profits only now they are used for punitive purposes. Therefore, the adopted political family can use state intervention (direct means) and the state and patronal media (indirect means) to carry out or facilitate predation.

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344 Hale, *Patronal Politics*.

345 Markus, *Property, Predation, and Protection*, 58.

346 Markus, *Property, Predation, and Protection*, 58.

347 This is analogous to feudal times in Scandinavia, where agriculture was barely taxed because weather conditions made average crop yields so low that the cost of the tax collector apparatus would have been higher than the tax itself. Professor Zoltán Balogh in the '70s called this—in Marxist language—"uncollectible surplus value," which was the reason why an independent peasantry could develop in Scandinavia in the first place.

As for the **direct means**, their application can involve:

- **burdensome and *ad hoc* normative interventions**, such as abruptly introduced regulations (regulatory intervention), sectoral or discretional taxes (budgetary intervention), renationalization (property-taking intervention), or expansion of red tape [→ 4.3.5.3] (supervisory intervention);
- **discretional interventions**, such as informal discretional treatment (regulatory intervention), stopping governmental spending to a certain company by not giving it state advertisements or excluding it—informally and/or discretionally—from public procurements (budgetary intervention), or extreme fines and continuous molestation by courts, police, or the tax office (supervisory intervention).

A more concrete list of means is provided by the price list we cited in a previous part [→ 5.5.3.1], whereas Markus offers a survey of 516 Russian and Ukrainian firms (from 2007) revealing which means were perceived as most imminent. On average, the most serious danger from the state turned out to be "extortion by taxation agencies," followed by "illegal inspections," "illegal administrative barriers to obtaining licenses," and "illegal administrative barriers to purchase or sale of land, real estate, assets, etc."[348]

According to Markus, it is common in the hunting phase of grey and white raiding that predators make attempts to **decrease the prey's mobility**. First, they engage in **asset fixation**. "If raiders target specific assets of the enterprise, such as buildings, land, or machines," Markus writes, "they aim to make it impossible for the victim to transfer or alter these assets once the attacks becomes apparent. The courts often play the main role […] by issuing temporary property arrests *(obespechitel'nye mery)* pending the outcome of ongoing or criminal cases against the enterprise or its owners."[349] Second, the predators try to **neutralize the main owners**, that is, "to restrict the decision-making powers of the assets' owners, anticipating the latter's defense efforts. State inspections on the ground are critical in this phase: the sanitation agency, the fire safety department, and a few dozen other regulators can legally shut down a firm based on code violations."[350] Also, predators can "generate a cascade of lawsuits against the target to disorient the owners and distract them from the main attack on assets."[351]

As far as **indirect means** or the use of state and patronal media is concerned, we may use the term **reputation-dirtying**, defined as an act causing damage to the reputation of a targeted actor. The aim of reputation-dirtying is the opposite of boosting or laundering reputation: to make it harder for the targeted company to conclude voluntary deals with consumers on the private market.[352] Indeed, **as the prey-status of the targeted owner becomes obvious, it immediately damages his market position**, for other actors who do not wish to get hunted down will try to avoid contact with the prey.

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348 Markus, *Property, Predation, and Protection*, 76.

349 Markus, *Property, Predation, and Protection*, 58.

350 Markus, *Property, Predation, and Protection*, 59.

351 Markus, *Property, Predation, and Protection*, 60.

352 MacLeod, "Reputations, Relationships, and Contract Enforcement."

Each method of integrity breaking can be put on a scale of strength from threat through harassment to attack [→ 3.6.3.2]. **Threat** means the method is not applied yet, only the targeted asset's owner is informed that they will be put in use should he resist (blackmail through informal channels). **Harassment** is when the method of integrity breaking has been employed but only occasionally (occasional supervisions, a few acts of reputation-dirtying in the press etc.), so it is more of a "warning shot" rather than one that would kill the prey. **Attack** is when the method of integrity breaking is applied continuously and in a way that it makes the profitable operation of the hunted company impossible.

Threats, harassments and attacks **can target either (a) the company or (b) the owner personally**, who may be blackmailed for causes totally independent from the targeted company and only related to the owner's past or personal life (kompromat [→ 4.3.5.2]). Indeed, **the more the owner's person can be blackmailed for, the lower the cost of appropriation is** because the owner is more likely to give up his company at the first irrefusable offer and thus the predatory state does not have to engage in more costly harassment or attack. (Also, if the owner faces overwhelming coercive capacity—such as in case of a chief patron and a predatory state—it is rational for him to accept the first offer, because (1) the next offers will be lower, (2) if he cooperates, it is more likely that the predator will not treat him as inimical and will not choose other assets of the same owner for prey, and (3) it is less likely that his personal freedom will be harmed. Indeed, what the predator gives "in exchange" for the company might be only that he does not incarcerate the owner, who formally can even give up his property as a "gift" accordingly.)

In the eye of the market, the value of the prey begins to fall as the hunting phase starts. Indeed, in this case the company's market value changes from unmolested to **molested value**, which can be calculated as

$$V_m = V_{u,\, t-1} - S_{ib}$$

where V_m is the molested value, $V_{u,t-1}$ is the unmolested value—the company's value if it was not subject to discretional state activity—in the hunting phase (one before the consuming phase which we take as a reference period), and S_{ib} is the absolute value of the effect of integrity breaking.[353] Indeed, **the prey is in a trap** in the hunting phase, for he is deprived of the possibility to sell his assets on an unmolested market value. Moreover, while the company still has a molested value on the market, it is likely that, if other market participants realize that the prey is in the hunting phase, they will refuse to buy the company even at its current price. Thus, the predator remains the prey's only possible "buyer."

In the eye of the predator, the prey's hunting value equals the market value (as calculated above) adjusted with the political gain and the actual cost of appropriation. In algebraic form,

$$V_h = V_m + P - C$$

[353] Alternatively, we could also calculate with the actual effect of integrity breaking and then add this (negative) value to unmolested value. We decided to calculate this way—and put a minus sign in the equation instead of a plus sign—to make the message of the equation clearer.

where V_h is the hunting value of the prey, V_m is its molested value, P is the political gain (which may be zero if the predation is carried out purely for economic gain), and C is the actual cost of appropriation. By the latter, we refer to **the real cost of appropriation**, stemming from the realized part of the factors listed above as potential sources of cost.

The hunting phase can end in two ways. First, it can end **without success**, when the company is not moved to the ownership orbit of the predator (typically because the predator calculated wrong in the stalking phase and $C > C_P$). Second, it can end **with success**, when the company is moved to the ownership orbit of the predator (typically when $C \leq C_P$). In the case of **successful hunting**, the hunting phase closes with asset seizure—according to Markus, typically at 10–20% of the assets' fair value—and asset anchorage—to make the obtained property rights legally irreversible.[354] Through these steps, the prey property successfully enters the ownership orbit of the adopted political family and the predation enters the **consuming phase**. Without more appropriation cost to be paid or political gain to be reaped, the asset's value in the eye of the market will equal its value in the eye of the predator. This also means that the asset that had been outside the ownership orbit of the adopted political family now has been brought inside its ownership orbit. In Figure 5.12, we used as an umbrella term for **the value in the eye of the market when the asset is outside the predator's ownership orbit**—that is, the unmolested and molested value—**"competitive market value."** In turn, we can say that the value in the eye of the market **when the asset is inside the predator's ownership orbit** is the asset's **relational market value**. Thus, the sentence above can be rephrased as follows: **The asset's relational market value equals its booty value**.

In algebraic form, this means that

$$V_r = V_b = V_{u,t} + S_{sp}$$

where V_r is the relational market value of the asset, V_b is the booty value, $V_{u,t}$ is the unmolested value in the consuming phase, and S_{sp} is the shelter-providing activity of the state. As for the latter, shelter providing is none other than the realized part of S_{spp}, or the actual boost the company receives in reputation as well as in fulfilling its market, rent-seeking and kleptocratic potential. Ideal typically, if the predator is a sub-patron or a chief patron, this S_{sp} raises the company's profit (and value) much higher than it was outside the adopted political family. Based on what kind of potential the acquired company has, we may distinguish **four pure types of uses of the booty asset**, any combinations of which in real world cases are possible:

1. **Competitive market functioning after one-time boosting**. This usually happens when the company does not have a substantial rent-seeking or kleptocratic potential but it has market potential, meaning a single budgetary transfer or change in the normative regulatory framework can give the company such a boost that it can act more profitably as an unmolested market participant than before. The means of boosting include one-time capital injection, a building permit with better conditions than otherwise, but also favorable (state) loans to allow more cost-efficient capital formation. Also, there are two possible scenarios after the boosting:

[354] Markus, *Property, Predation, and Protection*, 60–61.

a. the company is thereafter run by a member of the adopted political family, possibly through a front man (but still without further continuous state support);

b. the company is sold to an outsider at a price higher than the original, pre-predation market price (unmolested value).

2. **Rent-collection with appropriate discretional regulatory intervention**. This usually happens when the company has substantial rent-seeking and/or kleptocratic potential. In this case, the company is not sold but it is run by a member of the adopted political family (possibly a high-profile front man), providing an access point to rents under the discretional aegis of the state. In line with the forms of discretional regulatory intervention outlined above [→ 5.4.2.2], there are different scenarios for the respective booty companies:

   a. receiving competitive advantage by the state introducing punitive measures for competitors (sectoral or discretional taxes, regulatory intervention etc.);

   b. receiving competitive advantage by the state giving the company favorable discretional treatment (custom-tailored lexes, inactive regulatory intervention etc.);

   c. receiving market support by the state guiding artificial demand to the company, such as by (i) driving state companies' or departments' demand to the company by obliging them to do business with it (use equipment that is sold by the company etc.) or (ii) driving ordinary people's demand to the company (making employers to give certain percentage of wage in vouchers that can mainly be used at the booty company etc.);

   d. receiving public procurements by discretionally (and illegally) making the company win them;

   e. receiving an outright monopoly grant by the state to carry out the given activity.

3. **Building or solidifying patronal networks with the help of the company**. This usually happens when the company has high potential political gains, like when the company can be used in the political machinery (especially media), but we also include in this group the cases when the company is used to extend patron-client relationships to the lower reaches of the private sector through a network of subcontractors and suppliers.

4. **Redistribution within the adopted political family.** This point refers to a potential stage where, **if the oligarch who received the booty becomes out-of-favor, his own companies become prey**. This happens in cases of renegade oligarchs, or in cases of mafia wars within the adopted political family [→ 3.4.1.4]. Unlike predation for prey outside the ownership orbit of the adopted political family, this indeed means a redistribution of property within the ranks of the adopted political family from the disloyal to the loyal actors. As a specific case of redistribution, we can also mention what may be called **"shearing"** when there is a surrendered or fellow-traveler oligarch whose assets are predated periodically but in a way that he is not killed (financially) in the process. On the contrary, the actor might even

receive discretional state benefits from time to time, while he is subject to cycles of feeding and shearing.[355] This process helps the chief patron keep oligarchs in line and avoid them growing so big that they would threaten his unconstrained power [→ 4.4.3.2].

For **an outsider economic analyst**, quantifying the stalking and hunting values of companies is difficult because they involve subjective factors that have no monetary manifestation *per se*. However, what he **is able to follow is the dynamics of the targeted company's unmolested, molested and relational values** throughout the three phases of predation (and he can calculate the values of V_u, S_{ib} and S_{sp} with the help of these data). Ideal typically, one who analyzes the process of predation from the outside should see a diagram similar to Figure 5.12. In the stalking phase, other things being equal, the market value of the company does not change; in the hunting phase, the market value of the company begins to fall; and in the booty phase, the company's value starts rising as a result of shelter provision. Finally, the redistribution phase should manifest potentially, other things being equal, as a decrease of market value. In short, the dynamics that an economic analyst can see reflects a state of affairs when **the success of economic actors is not decided in an invisible hand process of the free market but by the grabbing hand of the chief patron** [→ 2.6].

5.5.4.2. Macro-level dynamics: structural and circular accumulation of wealth

The case of centrally-led corporate raiding demonstrates why **we cannot speak of 'politicians' but instead must refer to 'poligarchs'** in a patronal autocracy. In a democracy or even under a kleptocratic state and crony capitalism [→ 5.6.3], a politician may be bribed and involved in various types of corrupt acts. Typically, such cases are initiated by private actors like (major) entrepreneurs in a bottom-up fashion [→ 5.3.2.2], whereby the entrepreneur gets favorable treatment from the state and a bribe is given to the politician, who uses it for his own consumption or perhaps to reinforce his position in the public sphere. But the entrepreneur does not become a politician and the politician does not become an entrepreneur. They simply become corrupt. In centrally-led corporate raiding, however, **the element of bribe disappears**. It is the political actor who decides what should be taken over (stalking); he threatens, harasses and/or attacks the company (hunting); and he puts one of his high-profile front men in charge of it while still *de facto* exercising the respective property rights (consuming). In other words, **the benefit of the political actor in the case of predation is the company itself**, which becomes his *de facto* property in the sphere of market action where he is represented by the front man. **He receives money not as a bribe but as a dividend**, a legalized rent reached through the application of illegal means [→ 4.3.4.3]. Indeed, the very existence of front men shows the collusion of spheres of social action, and the political actor who reorganizes ownership structure to loyal front men and oligarchs is a poligarch, by definition. He does not receive money in a bag to intervene in the economy for someone else's gain but decides to intervene for his own private gain, disposing over the economic as well as the political sphere.

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355 Cf. the description of "predation without killing" in Vahabi, *The Political Economy of Predation*, 69–76.

In a patronal autocracy, **predation is none other than an act of post-communist ownership redistribution**. To understand when this method is applied, or how the dynamics of a relational economy in the post-communist region changes over time, it is worth differentiating two periods:

- **the period of structural accumulation of wealth**, which refers to accumulation of wealth and capital for an informal patronal network by taking from a different ownership type;
- **the period of circular accumulation of wealth**, which refers to accumulation of wealth and capital for an informal patronal network by taking from already established (private) owners.

These categories reflect the sociological concepts of structural and circular mobility. Structural mobility refers to the case when new employment in a certain occupation means an addition, that is, the already employed people can keep their jobs and the number of those pursuing the occupation expands. On the other hand, circular (or circulation) mobility means that new employment in a certain occupation means replacement, that is, newcomers get the jobs of those already employed and the number of those pursuing the occupation does not change.[356] Similarly, by **structural accumulation** we mean that the basis of enrichment is the **privatization** of state assets that had long been under state ownership. As a result, the private economy (the number of private owners) expands and a change in the proportions of state and private property on a national level takes place. The extent of privatization *(prikhvatizatsiya)* partly circumscribes the potential circle of new owners, whereupon, when state power is weak or failing, bottom-up violent redistribution of property begins. However, **if the extent of privatization has reached its possible limits, the field of centrally distributable property that could be privatized decreases**. Therefore, if the adopted political family wishes to remunerate new owners with property, some **existing economic actors have to be stripped of their wealth** in order to extend the field of redistributable property. This is why the need for circular accumulation of wealth, carried out by the means of predation described above, appears. It **does not result in a change in the proportion of state and private property** on a national level, only in private-owner transfers from autonomous to patronally related hands (that is, **it results in a change in power&ownership**).

Structural and circular accumulations do not necessarily take place subsequently but they can also happen together. However, to analyze further the behavior of the adopted political family in these two phases, we need to introduce the dimensions of **(1) patronal competition and monopoly and (2) economic strength and weakness of the adopted political family**. By the former, we mean whether there are rival patronal networks, which may attack the adopted political family (patronal competition) or it already established a single-pyramid patronal network (patronal monopoly). In these cases, the predatory acts of the adopted political family happen as follows:

[356] See Hertel, *Social Mobility in the 20th Century*, 39–41.

- **in cases of patronal competition, it strives for monopoly**, meaning its predatory practices during circular accumulation target primarily rival patronal networks (which are either eliminated or subjugated to the to-be-formed single-pyramid);
- **in cases of patronal monopoly, it tries to maintain it**, meaning its predatory practices during circular accumulation target primarily autonomous or out-of-favor oligarchs and major entrepreneurs (either because they are potential rivals or because they are the only rich businessmen left in the polity whom substantial property can be taken from).

On the other hand, the dimension of economic strength and weakness refers to whether the members of the informal patronal network are financially strong, that is, have already accumulated wealth—perhaps by structural accumulation—on par with the country's major entrepreneurs (economic strength) or they have not and thus are financially weak (economic weakness). In these cases, the predatory acts of the adopted political family happen as follows:

- **in cases of economic weakness, it needs to rely on state coercion and resources** (such as state loans, subsidies, or transit nationalization), because it is unable to accumulate wealth by market acquisitions, that is, by simply buying up targeted firms;
- **in cases of economic strength, it does not need to rely on state resources, only coercion**, because it is already able to buy up targeted firms in exchange for "just" compensation.

That we put "just" in quotation marks is not only because we refer to the above-mentioned Takings Clause of the US Constitution, although what usually happens is precisely that the leading political elite sets a price at which the owner is forced to sell. In Hungary, for instance, businessmen who were surveyed in a study claimed that people connected to Orbán take over companies by "mafia tools," such as blackmail and existential threats,[357] whereas investigative journalists found that the predatory state has set up informal "agents" who check on every firm with a turnover above 1 billion forints (ca. €3 million) and decide whether it should be taken over or not.[358] However—and this is the second reason we put "just" in quotation marks—such practices introduce peculiar incentives for economic actors and the prices themselves, while they appear to be market prices, are in fact distorted by the effects of predation. To use a metaphor from the natural sciences, the economic effect of predation is akin to that of the gravity of a celestial body: while other bodies are not connected to it directly, their movement is affected by the curvature of space-time it causes. In cases of predation, even the companies which are not targeted directly change their behavior, and one of the effects is that they are willing to accept oligarchs' or front men's offers easier, no matter how just they are. As a businessman said in the research cited above: "You make

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357 Sallai and Schnyder, "The Transformation of Post-Socialist Capitalism."

358 Szabó, "Tisztességtelen játék—Így születnek a sokmilliárdos NER-vagyonok" [Dishonest game: This is how billions of wealth of NER are made].

decisions that you would not make in a stable environment. I give work to this person, […] money to that person […] Just leave me alone! […] People get easily threatened or blackmailed. Look at the news; how many times were people taken away in handcuffs? The news never say [sic] whether they were innocent or guilty. So, CEOs are kept in fear."[359]

5.5.4.3. Micro-level dynamics: entrepreneurial distortions and bubbles in the relational economy

The previous paragraphs indicate **micro-level changes in entrepreneurial behavior**. From this respect, in a relational economy with a predatory state **what matters is not what portion of property is being hunted down, but that anyone's property is a potential target**. The predatory state can choose any company if its stalking value is higher than zero, and this is what entrepreneurs in a relational economy need to acknowledge to have an effect on their behavior. Indeed, predatory activity has a signaling effect that introduces perverse incentives in the relational economy, resulting in **distortions of entrepreneurial behavior**, as well as welfare costs for the public. What Hellmann and his colleagues write about the effects of state capture is certainly relevant here: "[while] substantial private gains accrue to the individual firms, negative externalities are generated for the rest of the economy."[360]

Various ideal typical reasons that lead to entrepreneurial distortions can be distinguished:[361]

- **Mismatch of formal and informal rules.** This refers to the period when entrepreneurs have not yet realized that the state is predatory and economic success depends on informal patronal relations. Thus, economic actors allocate their resources in *de facto* wasteful ways, such as when they spend resources to enter public procurement tenders or rent-seeking competition while both of these markets are *de facto* (informally and discretionally) reserved for the members of the adopted political family.[362]
- **Uncertainty**. A subsequent period, when the actors realize that the state engages in predation they act in fear for their property. In the case of Russia, for example, surveys have found that managers of immobile assets found their property rights more secure when Putin's party United Russia underperformed in elections, indicating they are well aware of the predatory nature of the state.[363] Under such circumstances, economic actors—and especially highly mobile foreign capital—may judge the market too risky and move to other polities with more predictable markets, resulting in lower economic growth and outflow of working capital.

[359] Sallai and Schnyder, "The Transformation of Post-Socialist Capitalism," 16.

[360] Hellman, Jones, and Kaufmann, "Seize the State, Seize the Day," 753.

[361] For an analysis of distortions in the Russian economy, see Krylova, *Corruption and the Russian Economy*.

[362] Indeed, in most of the tenders the adopted political family's companies win, businesses offering more favorable terms are excluded by administrative means or they do not even bid in the first place. This means a socialization process in which private ventures learn not to apply for tenders that require significant material and intellectual input if they do not have any hope of winning.

[363] Frye, *Property Rights and Property Wrongs*, 98–99.

- **Red tape**. A specific problem of (outsider) small and medium-sized enterprises is that, as the predatory state custom-tailors regulations to boost certain companies, the regulatory framework gets extremely complicated and burdensome. This "external cost of predation" is born by outsider companies, who need to allocate resources to deal with bureaucracy (either legally or illegally, trying to circumvent the existing regulations).
- **Hiding.** Eventually, entrepreneurs realize that the primary question of operation in a relational economy is not whether they can stay in fair market competition but whether they become part of the predatory state's food chain. As a result, they get an incentive to allocate their resources not to maximize real production but to minimize stalking value. Ways to achieve this involve various methods of double accountancy and financial scheming [→ 5.6.1.4], while large companies may also engage in identity splits or breaking up their company into small or medium-sized units so it can blend into the environment of the SME-sector, hiding it from the stalking eyes of the predator.

Using Hirschman's voice-exit-loyalty triad,[364] we can identify hiding as a peculiar type of exit. However, exit can also be done in a more straightforward way: leaving the country, legally and/or physically, and either personally or by moving assets to (a) foreign land or (b) to the illegal shadow economy [→ 5.5.6.3]. Choosing the option of loyalty, "the firm," as Markus writes, "appeases the aggressor; it may offer monetary payments or an equity stake in the firm to the state, for example hoping to retain most of its ownership rights and continue business."[365] In the case of a mafia state, loyalty either means the previously described brokered autonomy or asking for adoption to the adopted political family. Should he be adopted, the economic actor gives up some of his freedom (i.e., property rights) to the chief patron in exchange for the decreased risk of becoming a prey. Finally, much of the ability of voice that exists in liberal democracy is neutralized in a patronal autocracy, not only because of the dominated sphere of communication [→ 4.3.1.2] but, more importantly, because of the lack of an independent and also effective judiciary that private actors could turn to in case of unfair attacks [→ 4.3.5]. However, Markus argues that even under such circumstances "firms can resist […] ownership threats through alliances with stakeholders, who can impose […] financial or political costs on the potential aggressors. Accordingly, a firm's defense can make the PR threat itself, or its consequences, more expensive and hence less profitable for the aggressors. For example, foreign investors as allies of the target enterprise can impose financial costs on the state agents through withdrawal of investment projects benefitting the state agents. Political costs, in turn, decrease the power of the aggressor […]; this process can involve electoral pressure, public protests, or behind-the-scenes lobbying by the allies of the target firm."[366] Indeed, the foreign background of a company has historically been able to reverse even full-fledged attacks, like when the

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364 Hirschman, *Exit, Voice, and Loyalty*. Also, see Yakovlev, "The Evolution of Business."

365 Markus, *Property, Predation, and Protection*, 36–37.

366 Markus, *Property, Predation, and Protection*, 37–38.

Hungarian predatory state had to face unsuccessful hunting on the television channel RTL Klub (with its German background).[367]

A further, specific form of distortion stemming from the adopted political family being the dominant coordinating actor of the economy [→ 5.6.1.1] is the generation of various forms of **bubbles**. In economic literature, "bubble" is generally understood as an unstable situation, stemming from the overinvestment into an asset and/or rapid expansion beyond one's means.[368] Bubbles **may be distinguished by various aspects, understood on scales running from being**:

- **general**, meaning it is present in every market and its contraction affects the entire economy (global economic crisis), **to being partial**, meaning it entails a crisis effecting a single investor, asset or sector;
- **the result of impersonal market forces**, such as inflation or the uncoordinated acts of individual investors with excessive expectations (overproduction crisis),[369] **to being the result of a personal deliberate decision** with the expectation of bailout;
- **corrected by the state**, meaning the state uses various means of economic policy to counter the effects of the crisis after the bubble's contraction, **to not being corrected by the state**, meaning the effects of the crisis are not softened by state intervention of any kind.

In a market economy, the state is subordinated to the principle of societal interest [→ 2.3] and it may correct the failure of bubbles accordingly.[370] Dealing with **competitive-market bubbles**, the state may employ normative intervention—as in the case of anti-cyclical fiscal policy—or discretional intervention—as in the case of bailing out a single company. But ideal typically even the "favoritism"[371] of the latter case is performed because of the considerations of the economy-wide ramifications of letting the company—like a bank or a major employer—fail.[372] Indeed, the state generally lets the market economy work by the mechanism of profit and loss, and it may exempt one from the consequences of individual risk-taking only in cases of large external effects of bankruptcy. In addition, **the dimension of the leading political elite's ownership in the given companies cannot even arise,** as the spheres of social action are separated [→ 3.2]. The decision-makers may be approached by lobbying groups and particular policy decisions may be questioned, but **the politicians are not bailing out themselves**, their economic front men or members of their patronal network.

In contrast, **the state of a relational economy is subordinated to the principle of elite interest**, meaning—in a patronal autocracy—that it will decide on intervening in

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367 Vásárhelyi, "The Workings of the Media," 517–19.

368 For an overview, see Brunnermeier and Oehmke, "Bubbles, Financial Crises, and Systemic Risk."

369 Sornette and Woodard, "Financial Bubbles, Real Estate Bubbles, Derivative Bubbles, and the Financial and Economic Crisis."

370 Akerlof et al., *What Have We Learned?*

371 Mitchell, "The Pathology of Privilege."

372 Akerlof et al., *What Have We Learned?*, 129–42.

a crisis situation only if it serves the power concentration and personal-wealth accumulation of the adopted political family. Bubbles that are specific to such an environment can be called **relational-market bubbles**, and they are also related to the activity of the predatory state. The first type among such bubbles may be called **corruption-expectation bubbles**. In this case, economic actors outside the adopted political family try to get a share from the extreme profits of the adopted political family's companies by investing into them (buying shares on the stock exchange). Logically, this can yield the highest profits if done before the consuming phase when the prices are low. If many investors think this way, they invest in the to-be boosted company and the price of its shares skyrockets as a result.[373] In other words, expectations of investors are led not by what market performance can be expected from the given company but what discretional help it can be expected to receive in the consuming phase. However, (1) the behavior of the predatory state is at the discretion of the chief patron and not perfectly calculable, therefore expectations may indeed fail, and (2) excessive amounts of investors who wish to profit create overinvestment. In such cases, we can speak about bubbles. If the adopted political family does not invest in the company of investors' interest at all, the contraction of the corruption-expectation bubble brings the devaluation of prior investments. Indeed, corruption-expectation bubbles are similar to the competitive-market bubbles that are caused by exaggerated market expectations and overinvestment: namely, both bubbles are the result of market forces of decisions that are individually rational. However, **the actors** involved in corruption-expectation bubbles are led by exaggerated corruption expectations: they **try to exploit not excess-market but extra-market returns, stemming from the corrupt functioning of the relational economy**.[374]

Corruption-expectation bubbles **can be a pyramid scheme of the adopted political family as well**. In this case, the ruling elite deliberately lets expectations grow but it eventually does not realize them. Then, a corruption-expectation bubble can function as a way of rent collection, as the adopted political family hoards or reinvests the money that is pooled during the initial rapid expansion of investments [→ 5.3.4.4].[375] This leads us to the other kind of bubble specific to relational economies—**booty bubbles**. Booty bubble is a partial bubble related to a single actor in the adopted political family, who generates the bubble by personal deliberate decision. To illustrate this, let us take the example of the Lőrinc Mészáros, the rapidly elevated gas fitter from the home village of Hungarian chief patron Orbán. "The Felcsút resident, known as a confidant of Viktor Orbán has risen to the foremost ranks of rich Hungarians in four years, as the winner of state procurements for water supply systems, roads, agricultural land leases and (monopolized) tobacco shop concessions."[376] When Orbán won elections in 2010, Mészáros had had a single company for nearly a decade and accumulated a modest wealth of ca. 30 million forints (ca. €90 thousand).[377] However, the estimated value of his assets grew a hundred times in the years

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373 For example, see Simon, "What's Boosting the World's Best-Performing Stock?"

374 A third type of expectation bubble, the one typical to command economies and administrative markets, will be described below [→ 5.6.2.2].

375 Gyenis, "Családi munkakör [Job for the family]."

376 Szakonyi, *A 100 leggazdagabb 2014*, 101.

377 "Húszmilliót tart Mészáros Lőrinc a párnacihájában [Mészáros keeps 20 millions in cash]."

under the Orbán regime,[378] making him the 88th richest Hungarian with 6.9 billion forints (ca. €21 million) in 2013 and the wealthiest Hungarian with 381 billion forints (ca. €1.14 billion) in 2018.[379] As Forbes Hungary reports, the family of Mészáros has produced five-fold wealth-growth from 2018 to 2019—the fastest the magazine has ever recorded—and they have become "unavoidable actors" in construction, tourism, heavy industry, energy and agriculture.[380] According to Mészáros, what contributed to his success are "God's will, good luck, and the person of Viktor Orbán."[381] Indeed, Mészáros is a pure product of relational economy—and also the economic front man of Orbán, according to more than two-thirds of Hungarians.[382]

While Mészáros has gathered a staggering portfolio at incredible speed, he also used his economic empire as a "cash cow," taking out the majority of profits as dividend.[383] In the meantime, his forced expansion was financed from loans, sometimes from the banks of the adopted political family itself.[384] **In a market economy, such behavior without sound economic foundations would mean a bubble** that is prone to explode—indeed, it would have probably exploded much before Mészáros's holdings could grow to such astronomical size.[385] However, **this bubble is not a market bubble but a booty bubble**, meaning it has grown in a relational economy under the discretional aegis of the adopted political family. That is, **as the predatory state becomes a protector and engages in shelter provision, it can "drain off" the booty bubble by means of discretional state intervention**. This is possible only under normal circumstances, when the chief patron has enough time to intervene before the bubble blows up (as it may do due to an external shock like a war, economic crisis, or pandemic). At any rate, the booty bubble is a deliberate one, whereas the adopted political family helps itself: it involves both the to-be-supported oligarch (front man) who owns the assets, and the head of executive, who controls the means of public authority with maximum amplitude of arbitrariness [→ 2.4.6]. The means employed to drain off booty bubbles are the same ones that have been listed above when we modelled the possibilities in the consuming phase, including (with examples from Mészáros' recent history):[386]

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378 Csurgó and Szémann, "Ő a valódi gazdasági csoda" [He is the real economic miracle].

379 "Magyarország 50 leggazdagabb embere—már nem Csányi az első" [The 50 wealthiest people in Hungary—Csányi is not the first anymore].

380 "Családi lista 2019—Forbes [Family List 2019—Forbes]." Mészáros's personal wealth was 407.7 billion forints (ca. €1.23 billion) by the end of 2019. "Az 50 leggazdagabb magyar [The 50 wealthiest Hungarians].

381 "A jóisten, a szerencse és Orbán Viktor személye—így vagyonosodott Mészáros Lőrinc" [God, luck, and Viktor Orbán—this is how Lőrinc Mészáros got rich].

382 Magyar, "From Free Market Corruption Risk to the Certainty of a State-Run Criminal Organization (Using Hungary as an Example)," 477–85.

383 Fokasz and Oroszi, "Protestáló etika" [Protesting ethic]"; Jandó, "Mészáros Lőrinc új rekordja: 25,4 milliárd forintot vesz ki a cégeiből" [Lőrinc Mészáros' new high: 25.4-billion divident from his companies].

384 Várhegyi, "A bankszektor elrablása" [The raiding of the banking sector]; Rádi, "Indebtedness of National Oligarchs Risk Banking System, Experts Say."

385 Laki, "A Mészáros-vállalatcsoport" [The case of the Mészáros company group].

386 For further examples, see Magyar, *Post-Communist Mafia State*; Magyar and Vásárhelyi, *Twenty-Five Sides of a Post-Communist Mafia State*.

- changing the regulatory environment (after Mészáros purchased campgrounds at Lake Balaton, building regulations were changed so he could build hotels there,[387] whereas VAT on accommodation services was reduced from 15% to 8%);[388]
- giving discretional state subsidies and loans (many of Mészáros' buy-ups have been financed by state banks, including Eximbank and MKB,[389] which were taken over earlier by predatory means);[390]
- channeling state monies to the company through state projects (most of Mészáros' wealth-growth is due to public procurement projects, the vast majority of them being financed through EU funds);[391]
- channeling artificial demand to the booty company (the state created a program of subsidized holidays for poor families, who were accommodated in the hotels of Mészáros and Tiborcz, Orbán's son-in-law).[392]

In the end, we may sum up in more general terms **the peculiar micro-level dynamics from the side of shell and booty companies**. In a relational economy, those who have power&ownership can be distinguished from ordinary private property owners by the following features. First, **they have an unusually fast ramp-up phase**. The adopted political family's businesses become "national champions" almost immediately after they arrive at the ownership orbit of the adopted political family, as a result of shelter-providing discretional state activity. Shell companies are able to win huge state contracts without appropriate references or base capital, and secure loans if necessary—under rather favorable terms—without any capital cover. Second, **the expansion or downsizing of their activities follows political cycles rather than economic ones.** Given the success of these companies depends on the chief patron, they are extremely vulnerable to his whim, including the threats he makes good on in case of disloyalty. Third, **as winners of state contracts and procurements, they are essentially administrative rent-seeking coordinators, and not technology coordinators**. The companies usually function as gateways of accessing state contracts, and partner with such large subcontractors or associates in a consortium, who under proper rules of competition would be able to carry out the tasks specified by the procurement contract on their own. The rent-seeking coordinator normally establishes a sys-

387 Nagy, "Club Rezsim: Mészáros Lőrincék átszabják Balatonaligát" [Club Regime: Lőrinc Mészáros and Friends reform Balatonaliga].

388 Balla,"Nem kell több vendég Mészárosnak ahhoz, hogy újabb milliárdokat keressen a szállodáival" [Mészáros doesn't need guests to make billions with his hotels].

389 Medvegyev, "Állami hitelekből hízik Mészáros Lőrinc birodalma [The empire of Lőrinc Mészáros grows from state loans]."

390 Várhegyi, "A bankszektor elrablása" [The raiding of the banking sector]; Király, "A magyar bankrendszer tulajdonosi struktúrájának átalakulása" [The changing ownership structure of the Hungarian banking system].

391 Erdélyi, "The Mészáros Empire Won Public Tenders Worth €826 Million Last Year, 93 Percent of Which Came from European Union Funds"; Dunai, "How Europe's Taxpayers Will Bankroll Viktor Orban's Friends and Family."

392 Tamásné Szabó, "Club Aliga."

tem with more tiers of subcontractors than what the technology coordination of the given task would require. The vulnerability of those at the base of the pyramid of subcontractors is borne out by the fact that they work as pariah outsource companies, with virtually no profit margin. Moreover, nonpayment to subcontractors and other non-compliances to their contracts do not entail a ban from further public procurements.

Fourth, **the scale of taxed profits within the total revenue significantly outpaces that of unsupported businesses in the same field.** This disproportion in scale indicates the venture's nature as tapper of public funds and rent-seeking. Fifth, **the scale of dividends paid out of the taxed profits of the venture far outdo that of dividends taken out of politically unsupported ones that are exposed to the market.** In the case of companies participating in fair market competition—especially the startups and developing ones—a decisive majority, if not all the profits are reinvested in the company, as would be only natural in the case both of an expanding field of activities needing investment and the likelihood of market fluctuation.[393] However, in the case of the companies of the oligarchs or front men, the burden of necessary investments in equipment is transferred to the partner in the forced consortium, or the subcontractor. And any risks meant by possible market fluctuations are annulled by stable, politically directed contracts. These two factors in themselves indirectly indicate that these winning companies are largely there merely for rent-seeking, and can be liquidated without further losses if the political situation changes. Finally, **while successful businesses without ties to the adopted political family are exposed to predation attempts, the companies owned by loyal oligarchs and front men are never.** Indeed, the most prominent identifier of shell companies belonging to the poligarchs and inner circle oligarchs is that the company that has not been attacked yet apparently has a positive stalking value. In the case of outsider companies, positive stalking value constitutes adequate reason for predation; in the case of insider companies, the value we would see as "stalking" is indeed booty value, and we have not seen an attack against the company because it has never been outside the ownership orbit of the adopted political family.

5.6. Comparative Economic Systems

It was not only political scientists who presumed an "end of history" after the collapse of the Soviet Union. As Simeon Djankov and his colleagues explain in a famous paper,[394] the discipline of **comparative economics** went a similar way as political science. In the Cold War era, comparative economics had been preoccupied with the comparison of capitalism—represented by liberal democracies of the West—and socialism—represented by communist dictatorships of the East. Then, the collapse of the latter as well as the change of virtually all socialist countries to capitalism was seen as a historic victory of market economy over planned economies. Djankov and his colleagues argue that this situation gives comparative

[393] For a meta-analysis, see Avanzi, "Strategies for Dividend Distribution."

[394] Djankov et al., "The New Comparative Economics."

economics a new *raison d'être*: instead of comparing the two great systems, capitalism and socialism, comparing the "varieties of capitalism" is the new, current agenda.[395]

The "variaties of capitalism" approach was first developed for Western economies and then scholars started to use it as a universal framework, applicable to countries of other civilizations as well. Yet there are two reasons we cannot fully subscribe to this agenda. First, as communist dictatorship is an integral part of our conceptual framework as a polar type regime, we cannot disregard its economic system, socialism, and focus solely on the varieties of capitalism. Second, there is the problem we already indicated in Part 5.5.4.5—that **the dominance of power&ownership indicates a new economic system**, which is neither socialist nor capitalist in the Western sense. Formally, the new system features a dominance of private ownership, but informally the *de jure* private property is *de facto* intertwined with political power. Indeed, describing such a system in the "varieties of capitalism" paradigm is just as misleading as describing patronal autocracy in the "varieties of democracy" paradigm, that is, by a diminished subtype of democracy (in hybridology).[396] On the one hand, the categorization seems justified because—*de jure*, on the formal level—the system features similar institutions to the root concept. On the other hand, categorization is unjustified because—*de facto*, on the informal level—the system has markedly different characteristics, which are also system-constituting features that overrule the system's formal identify. Thus, identifying a patronal autocracy as a variant of democracy or a system of power&ownership as a variant of capitalism carries the risk of conflating them, and their *sui generis* features, with Western-type systems, hindering the understanding of their actual nature.

To overcome this difficulty, we use separate terms for the description of the *de jure* and the *de facto* state of different ownership systems. As for the former, we define capitalism and socialism as follows:

- **Capitalism** is an economic system which is characterized by the dominance of *de jure* private ownership of the means of production.

- **Socialism** is an economic system which is characterized by the dominance of *de jure* public ownership of the means of production.

The reason we define the two great systems by their *de jure* characteristics was explained above: because comparative economics in general and the varieties of capitalism paradigm in particular define them by their *de jure* features. And indeed, focusing on those we can find a variety of capitalisms in the post-communist region.[397] Also, differences between *de jure* ownership relations in socialist economies indicate "varieties of socialism" among

[395] Cf. Hall and Soskice, *Varieties of Capitalism*. For a discussion, see Holcombe, *Political Capitalism*, 2018, 20–43.

[396] See, e.g., Bogaards, "De-Democratization in Hungary."

[397] Lane and Myant, *Varieties of Capitalism in Post-Communist Countries*; Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*.

pre-regime change countries, ranging from the classical Stalinist model to the Yugoslav and Hungarian reform models.[398]

In contrast, our typology that focuses on the *de facto* ownership types distinguishes the following economies:

- **Planned economy** is an economic system which is characterized by the dominance of *de facto* public ownership of the means of production.

- **Market economy** is an economic system which is characterized by the dominance of *de facto* private ownership of the means of production.

- **Relational economy** is an economic system which is characterized by the dominance of *de facto* power&ownership of the means of production.

In cases of communist dictatorships, *de jure* socialism and *de facto* planned economy are basically the same. In communist dictatorships, what is formally public ownership is indeed public ownership, and the leading political elite (the nomenklatura) controls the means of production not through informal channels but openly, through formal channels. On the other hand, **market economy and relational economy are two types of capitalism**, for both are formally characterized by the dominance of private property.

We make a small divergence. In the literature, "planned economy" is not the only term that exists for socialist economies. Other candidates include "command economy" and "shortage economy" (which we also use sporadically in this book). Indeed, one can use any of the three terms, however, each of them refers to a different aspect of the socialist system. "Planned" refers to the way the economy is designed (central planning); "command" refers to the form of rule, or the bureaucratic patronalism that characterizes these systems. Finally, "shortage" refers to the consequence of the system for the subjects of the socialist economy.[399]

Going back to **the three economies**, we need to realize that they—and especially the capitalist ones**—are rarely homogeneous**. It is no coincidence we always speak about **dominance** when it comes to ownership relations; a relational economy, for instance, is composed of many different segments, some of which are indeed private and resemble Western-type market economies while others are only formally private and indeed operate according to the principles of power&ownership. Thus, it is beneficial to distinguish a concept for the segment and a concept for the whole. For the former, we may use the term **"market."** A market is a segment of an economy, a specific industry or economic sector that involves economic actors who produce for the same set of consumers (or supply for the same demand). These markets are **the building blocks that constitute an economy**, which is the concept we can use for "the whole." Indeed, an economy is none more than the community of markets in a given polity, under the authority of the same state.

Accordingly, the three economies can be defined, not only by their ownership relations, but by **the dominance of a market type** as well. The **planned economy** is character-

[398] This point was made by Kornai, "Foreword."

[399] Kornai, *The Socialist System*, 228–61.

ized by the dominance of so-called **administrative markets**; the **market economy** features the dominance of **competitive markets**. Finally, the **relational economy** is characterized by the dominance of **relational markets**.

5.6.1. Administrative Market, Competitive Market, and Relational Market

5.6.1.1. The dominant economic mechanisms

The coexistence of markets in general and economic actors in particular is described by what we call **economic mechanisms**. Simply put, an economic mechanism tells you **who gets to own what**, or how pieces of property (bundles of property rights) in a given economy are distributed. Indeed, economic mechanisms are not independent of the type of ownership: the latter greatly define the former, because different ownership structures create different incentives for the owners as to how to operate and coexist with other actors of the society.[400]

We are inspired in the conceptualization of economic mechanisms by Karl Polanyi, on the one hand, and János Kornai, on the other. As for the former, in his renowned essay "The Economy as Instituted Process," **Polanyi** distinguishes, first, the "formal" and the "substantive" description of the economy (Table 5.22).[401] As he explains, neoclassical economists provide a formal description of the economy in the terms of supply and demand, rational choice and, above all, prices. Thus, Polanyi argues, it is particularly suited to "price-making markets," that is, modern economies which distribute goods and services—in our terms, answers the "who gets to own what" question—on open markets and to those who are willing to pay the price for them. But considering other kinds of economies (in Polanyi's case, pre-modern ones), we need to realize that there are also other mechanisms, which are revealed only if we describe them by their sociological substance (hence "substantive description"). The "process," as the essay's title puts it, is none other than the micro-level "movement" of goods, including "locational movements" (production and transportation of goods) and "appropriational movements" (voluntary "transactions" and coercive "dispositions").[402] The way these processes are "instituted," on the other hand, show the macro-level economic mechanisms. Among these, Polanyi distinguishes three types of basic structures: symmetry, centricity, and the market, and these are accompanied by three **"forms of integration:" reciprocity, redistribution, and exchange**, respectively. As Polanyi explains, "[reciprocity] denotes movements between correlative points of symmetrical groupings; redistribution designates appropriational movements toward a center and out of it again; exchange refers here to vice-versa movements taking place as between 'hands' under a market system."[403]

400 Kornai, "The Soft Budget Constraint"; Kornai, "Innovation and Dynamism."

401 Polanyi, "The Economy as Instituted Process."

402 Polanyi, "The Economy as Instituted Process," 33.

403 Polanyi, "The Economy as Instituted Process," 35.

Table 5.22. Karl Polanyi's *The Economy as Instituted Process*.

Formal description (price-making markets)	**Substantive description (economy in general)**					
Neoclassical economics	**Instituted** (As ecological, technological, and societal elements connect and equilibrate)		**Process** (Material elements changing 'hands' or place)			
	Forms of integration:	Types of structure:	Locational movements		Appropriational movements	
	• reciprocity • redistribution • exchange	• symmetry • centricity • market	Transportation of goods	Production of goods	Circulation of goods	Administration of goods
					Transaction (between hands)	Disposition (one-sided act)

In our terms, Polanyi's three forms of integration are economic mechanisms, as they denote three general ways by which pieces of property move from one hand to another. Turning to János **Kornai**, in a seminal contribution to the comparative economic systems literature he talks about **"coordination mechanisms."**[404] Defined by him as a joint product of the "nature of political power, the prevailing ideology, and the property relations," a coordination mechanism in Kornai's words "coordinates the activity of the persons or organizations involved in it."[405] Kornai defines every coordination mechanism by (1) "who the participants are," (2) "what relation there is between them," (3) "what communications flow between them to further the coordination," and (4) "what motivations encourage the participants to take part in the coordination process."[406] On the basis of these, he distinguishes five main types of mechanisms:[407]

- **bureaucratic coordination**, which is a subordinative relationship where an individual or an organization coordinates another one through (formal) vertical linkages (e.g., in an army or a large firm);
- **market coordination**, which is a lateral relation or horizontal linkage where individuals "rank equally in legal terms" and take on the role of sellers and buyers, the former voluntary agreeing to transfer something to the buyer (e.g., in a shop or the stock exchange);
- **self-governing coordination**, where participants are "laterally placed, equal members of a self-governing association" and various bodies are elected (and can be dis-

[404] Kornai, *The Socialist System*, 90–109. Also, he himself notes the similarities (as well as the differences) between his approach and Polanyi's on page 96 (fn8).

[405] Kornai, *The Socialist System*, 90.

[406] Kornai, *The Socialist System*, 90.

[407] Kornai, *The Socialist System*, 90–94.

missed) to fulfill certain coordination functions (e.g., in an autonomous university or a professional association);

- **ethical coordination**, where "donors" transfer resources voluntarily to recipients out of altruism or other source of goodwill (e.g., in a relief organization);
- **family coordination**, where kin-related members form a variety of linkages within the already given framework of family (e.g., in a household).

When we consider an economy, either in terms of Polanyi's forms of integration or Kornai's coordination mechanisms, there is always a **dominant mechanism** while the others are **subordinate ones**. In other words, **every mechanism coexists in every society**: neither reciprocity, nor redistribution or exchange is completely eliminated in favor of a single mechanism, and similarly, Kornai's five main coordination mechanisms exist in every system without either one being fully eliminated. Rather, one mechanism becomes dominant, meaning it characterizes the majority of the exchanges, whereas others are confined to a subordinate rule and characterize only a minority of the exchanges. On the micro-level, the operation of any market can be described as working primarily by a dominant mechanism and secondarily by subordinate mechanisms, whereas on the macro-level **the type of economic mechanism that is dominant in the majority of markets is the dominant mechanism of the economy**.

Having defined dominant mechanism, we can identify it in the three economies we consider. First, the dominant mechanism of the **planned economy** is **bureaucratic resource-redistribution**. "Bureaucratic" refers to Kornai's bureaucratic coordination, which he also identifies as the one that is applied in the socialist system "most widely and forcefully," where the whole sphere of market action—that is, all the markets of the economy—is merged with the sphere of political action in a single bureaucratic entity.[408] On the other hand, "resource-redistribution" refers to central planning of the distribution of resources. In a planned economy, the party state decides for the entire economy (1) what to produce, (2) what use the products are put, (3) who should work where and for what wage, (4) where should investments be made, (5) where should technical developments be made, (6) what amount of products should be sold abroad and (7) how financial institutions should operate.[409] This means that, as a rule, most resources in the economy are distributed according to the central plan.

Second, the dominant mechanism of a **market economy** is **regulated market coordination**. "Market coordination" means the same in Kornai's conception, namely the voluntary decisions of sellers and buyers that constitute profits and losses for enterprising people and therefore coordinate their activities by providing a scheme of incentives.[410] However, when describing economies of the modern day we cannot disregard the fact that they are "regulated" by a central authority, and liberal democracies today feature mixed economies as a norm (see Box 5.11). The coordination of market participants—or more

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408 Kornai, *The Socialist System*, 97.

409 Kornai, *The Socialist System*, 112–13.

410 Mises, "Profit and Loss."

Box 5.11. Capitalism as a mixed economic system.

"In a capitalist economy, the general presumption is that for-profit business firms ought to be the principal economic agents responsible for the supply of goods and services. Wants are regarded primarily as a matter of individual and household needs and tastes, and it is presumed that potential customers for goods and services ought to decide what they will buy and from whom on the basis of their own preferences, using their own money. [. . .] However, market organization is far from ubiquitous and seldom is employed in pure form. [Many] activities and sectors that generally are thought of as market-governed in fact have a mixed governing structure. Thus, both the products and production methods of pharmaceutical companies are regulated, and public monies go into the basic research that pharmaceutical companies draw from in their development work. Many aspects of airline operation are regulated, the government operates the air traffic control system, and airports are largely funded and often owned by public bodies. Most of the old 'public utilities' are still quite regulated and sometimes subsidized. [. . .] Market organization is a widely used and useful governing structure. An important reason is that it can operate in a variety of different ways and be supplemented by other mechanisms in a variety of ways. However, just as one size shoe does not fit all feet, a single mode of sectoral governance cannot cope with the great variety of human activity. Modern economies are made up of many very different sectors governed in different ways. There is no way that a single form of organization and governance is going to be appropriate for all of them."

– Richard R. Nelson, "Capitalism as a Mixed Economic System," in *The Oxford Handbook of Capitalism*, ed. Dennis C. Mueller (Oxford ; New York: Oxford University Press, 2012), 278–80.

precisely the supply of goods and services—is narrowed by regulatory intervention, whereby we understand market coordination as regulated in modern market economies.[411]

Finally, the dominant mechanism of a **relational economy** is **relational market-redistribution**. We may compare this mechanism to both of the aforementioned mechanisms. Starting with the other type of redistribution, bureaucratic resource-redistribution in a planned economy is done with physical targets: in the central plan, production targets are expressed in exact numbers of natural units and quantities.[412] In contrast, in a relational economy it is markets and rent-seeking opportunities that are redistributed without physical targets (hence "market-redistribution"). In other words, **the chief patron determines only the market and ownership structure, but not the production structure**. Discretional intervention and centrally-led corporate raiding are two means of relational market-redistribution in a patronal autocracy. In the case of the former, it is easy to see this, as discretional regulatory intervention means precisely that patronally preferred actors get rent-seeking opportunities, discriminating (a) economic actors who want to enter the market and (b) non-preferred economic actors already in the given market (hence "re"-distribution). In the case of centrally-led corporate raiding, a modern predatory state considers a company not as loot but as capital—as a means to access a market and operate there, under the discretional aegis of the chief patron [→ 5.5.4]. Therefore, centrally-led corporate raiding is a peculiar way of relational market-redistribution, where the market share that a company represents is taken over as a potential rent-seeking opportunity for a member of the adopted political family.

Compared to regulated market coordination, relational market-redistribution also creates incentives but the central actor is different: **economic actors need to adjust, not to the buyers' wants but the chief patron's will**. On surface, the logic is similar to the theory of rent-seeking entrepreneurs, which holds that, in economies with excessive state intervention, economic actors, realizing their profitability depends less on consumers and more on rent-giving politicians, start using their entrepreneurial talents of innovation and demand forecasting to please the politicians instead of the consumers. Yet this theory applies to liberal democracy and the market economy,

[411] For further discussion, see Dahl, "Why All Democratic Countries Have Mixed Economies."

[412] Bokros, *Accidental Occidental*, 33.

as it presumes voluntary cooperation and voluntary decisions about market strategy [→ 5.3.1]. Relational market-redistribution, however, is based on informal patronalism, that is, a coercive network of corruption. This means that the actors, oligarchs and front men must comply with the chief patron's orders, who redistributes markets discretionally to clients based on loyalty and his own strategic (political) preferences [→ 7.4.7.2]. **Market competition is replaced by competition within the adopted political family**: while under regulated market coordination, A can outcompete B if the buyers deem B's product inferior, under relational market-redistribution A may receive B's market if the chief patron deems B's loyalty or strategic importance inferior. On the other hand, economic actors outside the adopted political family are constantly in the stalking phase of predation, and they may avoid centrally-led corporate raiding not by formal lobbying but informal adoption. In the theory of political entrepreneurship, the political sphere appears to economic actors as a normatively closed market for using political power for their benefit; in a relational economy, the political sphere is a discretionally closed market where one group—the adopted insiders—must compete for the chief patron's favor and the other group—the non-adopted outsiders—are constantly under the threat of becoming prey and having their markets redistributed to insiders [→ 5.4.2].

Speaking about economic mechanisms in the three types of economy, the emphasis is again on the word "dominance." An economy may feature any of the above-defined mechanisms: a market economy usually has some bureaucratic resource-redistribution (most obviously in forms of state and municipal companies and investments) and perhaps even some relational market-redistribution. But these remain subordinate mechanisms vis-à-vis regulated market coordination that remains dominant. To cite just one piece of data, a study in 2016 showed that "[in] terms of the institutional control environments […] the potential for political influence over central government contracting decisions is limited **in the UK**; recent institutional reforms have generally made controls more robust and introduced greater transparency. Nevertheless, we find that around **10% of the market is controlled by companies that win under conditions indicative of partisan favouritism**. **In Hungary, by contrast,** institutional checks and balances are far weaker, and have been unable to withstand systematic efforts to increase political influence over public procurement. The impact on procurement markets is evident in our quantitative analysis of contracts, which finds that around **50–60% of the market** is controlled by companies that win under conditions indicative of partisan favouritism."[413] Indeed, the researchers find signs that Hungary is not "partisan," as it is decided upon by Orbán's adopted political family and not the Fidesz party (which is just a transmission belt); and it is also not "favoritism," as the actors are not in voluntary relations with each other. What we do see is the dominance of relational market-redistribution (and the lack thereof in the UK), which previously analyzed data from Hungary also corroborate [→ 5.3.3.3].

413 Dávid-Barrett and Fazekas, "Corrupt Contracting," 7.

Table 5.23. Market economy, relational economy, planned economy.

Capitalism		Socialism
Market economy	Relational economy	Planned economy
Politically disembedded economy	Patronally embedded economy	Bureaucratically embedded economy
Regulated market coordination	Relational market-redistribution	Bureaucratic resource-redistribution
• regulated • impersonal • normative • dominance of competitive markets	• non-formalized • personal • discretional • dominance of relational markets	• formalized • impersonal • normative • dominance of administrative markets
Invisible hand of the impersonal market forces	Visible hand of the patron interfering with market forces	Central planning of the nomenklatura bypassing market forces
Horizontal	Vertical	Vertical

The main characteristics of the three economies are summarized in Table 5.23. As noted, the planned economy is a socialist system while the market and relational economies are capitalist. **In a planned economy**, the "who gets to own what" question is answered by the **central planning of the nomenklatura, bypassing market forces**. Using the Polanyian concept of embeddedness, referring to the degree of separation of the sphere of market action from the spheres of political and social action,[414] we may say that the economic sphere in a planned economy is **bureaucratically embedded**. For the entire economy is subordinated to the sphere of political action through the formal ties of the bureaucracy of the nomenklatura (the party state). In contrast, **in a market economy**, the "who gets to own what" question is answered by **the invisible hand of the market**, that is, by the impersonal sum of the voluntary decisions of private actors in a regulated environment [→ 2.6]. Here, as state regulations are normative and impersonal, and economic actors do not need to participate in politics to have their rights protected [→ 2.4.6], the market can be considered **politically disembedded**. Finally, **in a relational economy**, "who gets to own what" is decided by **the "visible hand" of the chief patron**, who interferes with market forces and makes capitalism **patronally embedded**, that is, economically patronalized and therefore subordinated to the interest of the adopted political family.[415]

5.6.1.2. Socialism: the administrative market

In the following parts, we discuss the **modifying mechanisms** of the dominant mechanism on the market level, in the three ideal type markets. We call modifying mechanisms **every mechanism**, economic or otherwise, **that leads to the modification of the allocation the dominant mechanism resulted in**. Thus, modifying mechanisms, while they too exist

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[414] Polanyi, *The Great Transformation*, xxiii–xxvii.

[415] Scheiring and Szombati use the expression "authoritarian re-embedding" for the patronalization of post-communist economies (which previously went through "neoliberal disembedding" during the regime change). Scheiring and Szombati, "The Structural Trap of Labour Politics in Hungary."

alongside the dominant mechanism, are not the same as subordinate mechanisms, for those are (1) necessarily also economic mechanisms and (2) do not necessarily interfere with the dominant mechanism but can exist outside of it. However, as we will see, in general **the aim of modifying mechanisms is precisely to institute a new economic mechanism vis-à-vis the dominant one.**

First, we examine socialism and the socialist economic system. Accordingly, the market type we consider now is the administrative market:

- **Administrative market** is a segment of an economic system which is dominated by *de facto* public ownership. The administrative market is the dominant market type of planned economies (where the main economic mechanism by which administrative markets operate is bureaucratic resource-redistribution).

Modifying mechanisms of the administrative market are indeed **correcting mechanisms**, which means they correct the allocative mistakes of the central planner and therefore contribute to regime longevity [→ 4.4]. As it can be seen in Table 5.24, correcting mechanisms include **top-down corrections**, meaning the mechanism aims at correcting an allocation that is found problematic by top-level nomenklaturists, but **most of the correcting mechanisms are indeed bottom-up**. The rigidity of central planning and the economic shortages that follow from it would practically paralyze the system and make it unbearable for the subjects if they could not correct the central allocation through certain mechanisms.[416] This applies to both the ordinary subjects, one bottom-up correction of whom has already been mentioned above *(blat)*, and to low- and mid-level nomenklaturists, such as state-enterprise leaders who need to employ tolkachi and engage in a variety of bottom-up corrections even to meet the expectations of the plan.

Among top-down corrections, the most important one is **economic campaigns**. Communist campaigns should not be confused with the campaigns of liberal democracies, which can indeed be considered as peculiar cases of marketing activity [→ 4.3.3.1]. In communist dictatorships, campaigns must be seen as a coercive mechanism of the political leadership towards the population that is used to fulfill those goals that cannot be demanded on a legal basis or the fulfillment of which cannot be insured with the routine legal operation of the apparatus.[417] This happens **when no one in a given social or administrative entity is directly interested in fulfilling a centrally determined goal**. Therefore, for the duration of the campaign designed to solve a given problem, the everyday legal routine of the bureaucracy is suspended, while the apparatus in such cases exceeds its own legal authority and its own "ethical standards." But this is not a simple violation of the law or an error on the part of a segment or member of the bureaucracy. Rather, it is a **centrally initiated and coordinated, obligatory violation of the law** which is to be committed by all

416 Ledeneva, *Russia's Economy of Favours*.

417 For existing literature in English, see Yu, "Campaigns, Communications, and Development in Communist China"; Liu, *Communications and National Integration in Communist China*; Soós, "Informal Pressures, Mobilization, and Campaigns in the Management of Centrally Planned Economies." The description of campaigns in the next paragraphs is based on the research that one of the book's authors made in Hungary as well as at the Woodrow Wilson International Center for Scholars in the late 1980s. See Magyar, "Kampányok a falusi térben az ötvenes évek elején" [Campaigns in the countryside in the early '50s].

members of the designated segment of the apparatus and the scale and direction of which are centrally predetermined. A communist campaign is a series of actions taken by the leading political elite in order **to direct state bureaucracy as if it were a (mobilizational) political movement**, but one controlled from above.

Table 5.24. Correcting mechanisms in socialist markets.

<table>
<tr><th colspan="4">Modifying mechanisms in socialist markets</th><th>The essence of the mechanism</th></tr>
<tr><td rowspan="6">Correcting mechanisms (of bureaucratic resource-re-distribution)</td><td colspan="2">Top-down</td><td>Economic campaigns</td><td>forcing out the central aims which cannot be achieved through the day-to-day, legal functioning of the bureaucracy</td></tr>
<tr><td rowspan="5">Bottom-up</td><td rowspan="3">From the supply side (mid- and low-level nomenklatura)</td><td>Plan bargain</td><td>extorting out extra resources via bilateral negotiations (bargains)</td></tr>
<tr><td>Under-planning</td><td>extorting out extra resources via unilateral “hidden methods” (fraud, false reporting)</td></tr>
<tr><td>Barter</td><td>voluntary exchange of goods between economic units of the same status</td></tr>
<tr><td rowspan="2">From the demand side (ordinary subjects)</td><td>Queuing, waiting lists</td><td>postponement of consumption (changing consumer preferences)</td></tr>
<tr><td>Blat</td><td>illegal and/or informal obtainment to goods and services with reciprocal favors or extra payments</td></tr>
</table>

The campaign is a special form of coercion applied from outside a given market, but aiming at reorganizing allocation on the market level in a normative way. At this aim, the most important types of campaigns are (1) **extracting campaigns**, by which the nomenklatura tries to extract a given resource (compulsory delivery campaigns, tax-paying campaigns, state-bond subscription campaigns and work-competition campaigns etc.); (2) **regulatory campaigns**, by which the nomenklatura tries to regulate some parts of production process in the centrally planned economy (sowing, harvesting and threshing campaigns, investment campaigns etc.); and (3) **structural transformation campaigns**, by which the nomenklatura aims at reorganizing certain economic sectors (collectivization campaigns, amalgamation campaigns to merge industrial companies, consolidation campaigns for agricultural cooperatives etc.). Each campaign of the three groups can be analyzed in several dimensions:

- **by the character of target group**: we can find campaigns when (a) the target group is within the apparatus that itself is executing the campaigns (e.g., vigilance campaigns or rectification campaigns), (b) the target group extends to the general citizenry and more institutions are involved (e.g., compulsory delivery campaign), and (c) the targeted general citizenry itself is forced to act as mobilizers against the rest (e.g., collectivization campaign);
- **by the time dimension**: we can find campaigns (a) with predetermined duration (e.g., compulsory delivery campaign) and where the campaign is without a pre-established endpoint (e.g., some collectivization campaigns), (b) which are short

(e.g., state-bond campaign) and which are long (e.g., extracting campaign), and (c) which are prolongable (e.g., some compulsory delivery) and which are unprolongable campaigns;

- **by periodicity**: we can find campaigns which are (a) irregular and occasional (e.g., vigilance or labor-force campaigns) and (b) regularly occurring, following either natural production cycles (e.g., agricultural-labor organizing campaigns) or political cycles (e.g., regulatory campaigns).
- **by the punishments if the campaign goals are not achieved**: we can make a distinction in terms of whether the lack of the expected results brings (a) collective punishment (e.g., when the right to market agricultural produce is withdrawn from whole villages temporarily if the village does not fulfill its compulsory delivery target) or (b) individual punishment (e.g., extra-legal sanctions or public humiliation).

The final dimension in which these campaigns can be examined is by **which basic right of individuals or organizations—**that are already legally restricted**—they suspend**. (Indeed, as all communist campaigns involve some rights violation of this kind, we may identify them generally as **rights-suspending campaigns**.) Extracting campaigns infringe upon one's freedom to dispose of one's legal property; regulatory campaigns attack the independence of the economic enterprises as well as of individuals. The structural transformation campaigns restrict or violate simultaneously a whole range of otherwise legally codified rights, from the right of association to the already tightly restricted right to private property.

Turning to **bottom-up correcting mechanisms**, they can come from the two sides of the bureaucratic market: **from the supply side—**that is, from within the nomenklatura and by those mid- and low-level members who have to produce goods and services according to the central plan—and **from the demand side—**that is, from ordinary subjects who wish to obtain goods and services from administrative markets.

As for the former, we should first mention the two tightly connected mechanisms of **plan bargain and under-planning**. In both cases, state enterprise leaders want to receive, as Kornai puts it, "as easy a production assignment as possible and as plentiful a supply of materials and labor as possible to carry it out."[418] In the first step, this leads to under-planning as **state enterprise leaders report a smaller capacity and a larger input requirement than the reality**. However, **plan bargain perpetuates as central planners realize this tendency** and start to prescribe a plan 10 or 20% tighter than they consider realistic. State enterprise leaders start, via tolkachi, negotiations (bargains) to achieve a looser plan, whereas the planners want to squeeze out the maximum of the firms and make them produce at least as much as they did in the previous year ("planning in").[419] As Kornai explains, a similar bargaining process "develops inevitably in any relation of superiority and subordination in the hierarchy […] over any decision in which a superior body expects something of and/or grants something to a subordinate one," whereas the "actual outcome of the bargain depends largely on the power relations between the superior and the subor-

418 Kornai, *The Socialist System*, 122.

419 Kornai, *The Socialist System*, 122–23.

dinate."[420] Thus, under-planning and plan bargain are two basic mechanisms that exist on practically all subordinate levels of the nomenklatura.

Indeed, under-planning fits into the larger set of phenomena that was known as ***pripiski*** **(false reporting)** in the Soviet Union. Ledeneva summarizes Stephen Shenfield's typology of *pripiski* as follows: **(1) underreporting**, which meant that accountants understated production output figures to safeguard against a potentially unsuccessful future production period; **(2) overreporting**, whereby plan fulfillment was overstated to avoid punishment or to win bonuses or promotions; **(3) wage falsification**, used to compensate for the lack of skilled labor; **(4) shuffling of accounts**, meaning that, if one planned item was overconsumed, it could be stated that the money had been used for the purchase of another material or service; and **(5) borrowing of output**, where instead of pulling numbers out of the air, the factory valued output that had not yet been completed at the end of the planning period at a considerably higher percentage of completion.[421]

The final bottom-up correction mechanism from the supply side of the administrative market is **barter**. In this case, state enterprise leaders bypass the central planner and try to solve the problem of misallocation among themselves. Thus, voluntary exchanges in kind take place between economic units. **From the demand side** of the administrative market, two types of correcting mechanisms exist. On the one hand, the ordinary subjects can make correction by **queuing or waiting lists**, when they handle shortage by postponing their consumption until it becomes available. This way, the shortage problem is solved by the subjects changing their preferences: while they would normally want to receive the good or service at an earlier date, they adapt to the circumstances and accept the shortage by changing their time-preference.[422] On the other hand, subjects can solve shortage without changing their preferences if they engage in ***blat***. As we explained in Part 5.3.5.1, with *blat* people make informal (and sometimes illegal or corrupt) barter deals to obtain the product they want to obtain but would not be able to get under the circumstances of central planning.[423]

5.6.1.3. Capitalism: from competitive market to relational market

The aim of every bottom-up correcting mechanism is to overcome the bottlenecks of the planned economy, especially shortage produced by the misallocation of resources compared to the people's needs. In other words, we can say that these mechanisms aim at **closing the gap between the central planner's allocation and the allocation that meets the subjects' demand**. However, what needs to be seen is that the allocation that is fundamentally based on the subject's demand, meaning it produces what the people are willing to buy and does not produce what they do not, is market coordination. Thus, the previous sentence in bold can be reformulated like this: **bottom-up correcting mechanisms push bureaucratic resource-redistribution and the administrative market toward market coordination and the competitive market**.

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[420] Kornai, *The Socialist System*, 123–24.

[421] Based on Ledeneva, *How Russia Really Works*, 147–48. Also, see Shenfield, "Pripiski."

[422] Kornai, *The Socialist System*, 170, 229.

[423] In *blat*, we also include black markets that are ideal typical to planned economies.

The competitive market is defined as follows:

- **Competitive market** is a segment of an economic system which is dominated by *de facto* private ownership. The competitive market is the dominant market type of market economies (where the main economic mechanism by which competitive markets operate is regulated market coordination).

From this definition, we can see that, while its bottom-up correcting mechanisms try to institute market coordination, **administrative markets do not become competitive markets** as a result. For the *de facto* (and *de jure*) dominance of state ownership is not replaced by the *de facto* dominance of private ownership. However, **in the case of competitive markets**, (a) some modifying mechanisms do not change the *de facto* ownership type, and thus only count as **distorting mechanisms**, but (b) there are modifying mechanisms that change *de facto* private ownership to power&ownership. In the case of the latter, we can already speak about **annexing mechanisms**, which make initially competitive markets relational markets and therefore "annex" them into the relational economy.

Starting from **distorting mechanisms**, we can again distinguish top-down and bottom-up forms (Table 5.25). As for the former, the two types of state intervention that move property from one hand to another are regarded as distorting mechanisms: **budgetary intervention** and **property-taking intervention**. As we explained above in detail, budgetary intervention involves the redistribution of private (monetary) property via taxing and spending, whereas property-taking intervention involves moving private (non-monetary) property to public hands via nationalization. Thus both methods modify the allocation of bundles of property rights that would be produced by the dominant mechanism, regulated market coordination.[424] Bottom-up distorting mechanisms are three. First, there is **lobbying**. It may be objected that understanding lobbying as a distorting mechanism is inconsistent, for we described lobbying above as an ideal typical process in liberal democracies by which the content of regulations is formed. This is the starting point of relational economics. However, we do count lobbying as a distorting mechanism because it marks a change in the behavior of economic actors: **instead of profit-seeking**, which would mean operation according to regulated market coordination, **business groups engage in rent-seeking**, which means they try to increase their profits not by serving the consumers—as in regulated market coordination—but by bending the dominant economic mechanism in their favor.[425]

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[424] We regard regulatory intervention as one that defines the entire economic playing field and, thus, it is part of the dominant coordinating mechanism (hence "regulated" market coordination). As for supervisory intervention, some of its forms indeed result in distortion as well as annexation, but as it is used as a separate method of intervention in the case of discretional interventions, we do not include it here and will discuss it as part of top-down annexing.

[425] Buchanan, "Rent Seeking and Profit Seeking."

Table 5.25. Distorting and annexing mechanisms in capitalist markets.

Modifying mechanisms in capitalist markets			The essence of the mechanism
Distorting mechanisms (of regulated market coordination)	Top-down	Budgetary intervention	coercive redistribution of wealth (normative)
		Property-taking intervention	coercive takeover (nationalization) of wealth
	Bottom-up	Lobbying	legal cooperation of public and economic actors
		Shadow economy	illegal cooperation of economic actors (tax avoidance, unlawful employment etc.)
		Voluntary corruption	illegal collusion of economic and public actors
Annexing mechanisms (of relational market-redis-tribution)	Bottom-up	Bottom-up state capture	illegal capture of public actors
	Top-down	Political patronalization + patrimonialization	patronal appropriation and vassalization of political institutions and actors
		Economic patronalization + patrimonialization	patronal appropriation and vassalization of economic units and actors
		Societal patronalization (cold patronalization)	patronal appropriation and (indirect) vassalization of societal actors

Second, there is the **shadow economy**, which is none other than the illegal cooperation of economic actors to bypass the state laws that regulate market coordination. These involve phenomena such as illegal trade, unlawful employment, and various ways of tax avoidance, among other things.[426] Finally, we find as the third bottom-up distorting mechanism of regulated market coordination **voluntary forms of corruption**. Free-market corruption, cronyism and state enterprise collusion all aim at changing the way property is dominantly allocated to their own benefit, distorting the generally normative economic mechanism of competitive markets to serve interests discretionally [→ 5.3.2.2].

Turning to **annexing mechanisms**, we need to enumerate the processes that change *de facto* private ownership to power&ownership and regulated market coordination, to relational market-redistribution. In other words, we examine the mechanisms that turn, in a capitalist environment, a competitive market into a relational market:

- **Relational market** is a segment of an economic system which is dominated by *de facto* power&ownership. The relational market is the dominant market type of relational economies (where the main economic mechanism by which relational markets operate is relational market-redistribution).

Among bottom-up annexing mechanisms, we can find the first type of coercive corruption, **bottom-up state capture**. As we explained in Part 5.3.2.3, this mechanism involves the coercive capture of public actors by oligarchs or crime bosses, who use their influence to carry out relational market-redistribution: they want to use state power to redistribute

[426] For an overview, see Schneider and Enste, *The Shadow Economy*.

markets, either by the means of discretional regulatory intervention or by using the politician in schemes of grey or white raiding. Top-down annexing mechanisms are, on the one hand, **political patronalization and patrimonialization** and, on the other hand, **economic patronalization and patrimonialization**. As relational markets constitute a lack of separation between the political and the economic spheres, these two methods go hand in hand in forming and operating mafia states of patronal autocracies in the post-communist region. With political patronalization and patrimonialization, the chief patron achieves the concentration of state power in his hand, allowing him to reach the widest amplitude of arbitrariness in state interventions. Economic patronalization and patrimonialization follow from this, as the chief patron can use the power he obtained for relational market-redistribution. Simply put, the subjugation of the political sphere makes it possible for him to override the invisible hand with his grabbing hand [→ 2.6], and dispose over the entire sphere of market action. Finally, this state of affairs causes what we call **societal patronalization as well as "cold patronalization"** in the next chapter, referring to the actors who are not directly patronalized by the adopted political family but decide to cooperate with it, given their alternative options are cut in a limited-access order [→ 6.2].

5.6.1.4. Modifying mechanisms in relational economy: double accountancy and financial scheming

As annexing mechanisms turn competitive markets into relational markets, relational market-redistribution prevails as the dominant mechanism of relational economy. Yet **relational market-redistribution is accompanied by several modifying mechanisms**, manifesting in the behavior of those outside the adopted political family. Indeed, this is not a negligible segment: the **informal economy** that represents these modifying mechanisms accounts for at least half of the gross national product of Russia, according to expert estimates.[427] As Yavlinsky writes, the informal economy is characterized by "activity that is not necessarily hidden but still takes place outside of or in violation of legally established guidelines—for example, the use of sham payment defaults, illegal or exotic forms of payment, […] false exports, the use of undue benefits, and so on. These relations are prevalent in the part of the economy that is concealed from accounting and taxation, but also to a large extend in public activity. The unofficial economy does not exist separately from the official or legal economy. Rather, it **permeates the legal economy, introducing corrections and peculiarities in the behavior of firms that are inexplicable in terms of legislation and official rules for economic activity**" (emphasis added).[428]

As the word "correction" suggests, one can draw parallels between these post-communist techniques and the correcting mechanisms of socialist markets. Yet we do not call these "correcting mechanisms" because, unlike socialism's corrections, a relational economy's modifying mechanisms are **not necessary for the system's survival—rather to the survival of economic actors outside the adopted political family**. More precisely, Ledeneva mentions two motivations that generate these "grassroots practices:"[429]

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[427] Yavlinsky, *Realeconomik*, 109.

[428] Yavlinsky, *Realeconomik*, 109.

[429] Ledeneva, *How Russia Really Works*, 143–47.

- to **compensate for the shortcomings of state and market institutions**, meaning the firms do what is necessary to survive, to stay in business or to be successful, based on their "common sense;"
- to **avoid becoming prey to the predatory state**.

In other words, we may say that the former motivation regards problems stemming from formal institutions (or the lack thereof), whereas the latter regards problems stemming from informal institutions of the ruling elite. To present related practices, we summarize a chapter from Ledeneva's book *How Russia Really Works*.[430] While she focuses on the Russian economy in general and the first 15 years after the transition in particular, her findings are not country or era-specific. Rather, they are regime-specific to patronal systems, characterized by grey and white raiding, unreliable legal and financial institutions, and low levels of trust in economic and political institutions in general.[431]

To compensate for institutional shortcomings, economic actors often circumvent the state and (a) pay for a private actor for a service not provided by the state in the necessary quantity or quality, and/or (b) develop schemes to avoid burdensome regulations and arbitrary and confiscatory taxes that would make competitive economic functioning impossible. As for (a), Ledeneva identifies techniques "designed to organize [a company's] external deals: outgoing capital flows and payments for the services of important external institutions such as the customs services, railway authorities, regional administration, or private protection companies. These schemes make use of intermediary firms in order to pay for services and protection, to offset taxes, or to transfer bribes and political payments. The most elaborate schemes involve multiple stages of transactions between upwards of a dozen ostensibly independent economic agents."[432] As for (b), Ledeneva describes one of the complex capital-flight schemes involving a web of companies and writes that "[a] general idea behind these financial schemes is to obscure any direct connection between the company and its operations. Asset ownership is hidden by channeling funds through intermediaries, while companies that bear liability are stripped of assets and have nothing to lose."[433] As she argues, such practices are not developed simply to raise profits in illegal ways, avoiding taxation and transferring funds to foreign land. Rather, "owners believe that maintaining foreign accounts is more secure than investing at home,"[434] and also—as Ledeneva writes in agreement with a journalist—"taxes will be siphoned by corrupt bureaucrats, as happens with all government funds. However, if the money goes offshore, it will not be stolen but will find its way back to the enterprise."[435]

On the other hand, "asset stripping can be instrumental in defending a company's assets from a takeover. When somebody tries to gain control over a company […], and it is known that the court's decisions would certainly be prejudiced […], the company may

430 Ledeneva, *How Russia Really Works*, 142–63.

431 Cf. Kornai, Rothstein, and Rose-Ackerman, *Creating Social Trust in Post-Socialist Transition*.

432 Ledeneva, *How Russia Really Works*, 149.

433 Ledeneva, *How Russia Really Works*, 150–54.

434 Ledeneva, *How Russia Really Works*, 152–53.

435 Ledeneva, *How Russia Really Works*, 155. Also, see Latynina, *Okhota na iziubria*.

opt to strip its assets. The ownership structure (controlling blocks of shares of this company and its subsidiaries) can be manipulated. Company buildings and residences will change hands (diversion of ownership). All contracts under which the company should receive payments will be consolidated in a 'shift-a-debt' contract […], so that any incoming funds will be transferred to some other firm belonging to the management indirectly (diversion of payment) […], and so on."[436]

This leads us to the second reason of modifying mechanisms, namely **avoiding predation**. As we explained above, a crucial point of the stalking phase is intelligence acquisition, that is, to know what the company is and how much it is worth. This is precisely what can be avoided by techniques like:[437]

- **underreporting profits** (Ledeneva cites the post-Soviet saying: "If a company has a profit, it has a bad accountant");[438]
- **double bookkeeping** ("at a minimum, one set of books for corporate insiders and one for tax services");
- **corporate identity split** ("firms […] insulate themselves within a sophisticated financial network made up of at least two front companies […], created with the specific intention of channeling assets to an insiders' club of shareholders or managers while obscuring the benefits of ownership. Such schemes are organized according to another 'splitting' principle *(matrioshka)*, in which a bigger *matrioshka* is owned by a smaller one inside of it, which is in turn owned by a smaller one inside of it, and so on");
- **asset stripping** (as described above);
- **financial scheming** ("taking the profits out of the books through the use of shell companies, offshore companies, insurance companies, and fake contracts").

To sum up, Ledeneva writes that financial schemes "**enable economic agents to protect their property and business operations** from the exigencies of market reforms, from the arbitrary judgements of tax inspectors, corrupt authorities, and the deformed institutional framework in general. At the firm level, financial scheming is represented as a **survival strategy**. Whether the need-based argument is a genuine one, whether the boundaries between such necessity and manipulation can be defined, and whether the long-term effects of these necessary practices are not more harmful than helpful for the institutions exploiting them are issues that remain to be explored" (emphasis added).[439] Indeed, Ledeneva suggests that "the answers will be sector-, size-, and manager-sensitive," but at the same time she calls attention to general problems as well. Particularly, falsifying official documentation causes **statistical problems**, making it almost impossible to measure the size of informal economy by traditional means. She also underlines that "financial scheming

[436] Ledeneva, *How Russia Really Works*, 153.

[437] Ledeneva, *How Russia Really Works*, 148–59.

[438] Ledeneva, *How Russia Really Works*, 142.

[439] Ledeneva, *How Russia Really Works*, 159–60.

on the current scale is indicative of a strong network of vested interests committed to its continued existence, which in turn replicates obscure ownership patterns and insufficiently defined property rights. […] The existence of financial schemes thus creates **a vicious circle: they compensate for the deficiencies in formal institutions and enable business activities, but, by the same token, they undermine formal institutions and retard their effectiveness**" (emphasis added).[440] Thus, the "forced innovation"[441] of post-communist entrepreneurs outside the adopted political family indeed undermines competitive market practices. Therefore, relational market-redistribution causes distortions in the behavior of the actors left alone, making even the directly non-affected sectors of relational economy move away from market coordination of market economies [→ 5.5.4.3].

5.6.1.5. Corruption: from modifying mechanism to dominant function

Unauthorized illegality is another modifying mechanism of relational markets. Indeed, it is a distorting mechanism, involving the action of independent criminals as well as the unauthorized abuses of public office [→ 5.3.2.2, 5.3.4.2]. Through actors who corrupt the initially corrupt environment for their own private gain, **corruption** appears in both relational and competitive markets, just as much as it appears in administrative markets when public offices are involved in *blat*. However, the status and function of corruption differs in the three systems.

As we mentioned in Part 5.3.6.1, in the case of socialist markets we can speak about **system-lubricating corruption**. This harmonizes with our term "correcting mechanism" as well as the colloquial expression "grease money," which acquires its meaning in an administrative market: without lubricating the machinery, the planned economy itself would be paralyzed and subjects would need to endure constant shortages in practically all products (in all markets). Such a state would hardly be sustainable, while it is precisely correcting mechanisms such as *blat* and—as a part of it—system-lubricating corruption that make the system temporarily viable and livable.[442]

On the other hand, we can speak about **system-destroying corruption** in competitive markets, mainly because corruption aims at destroying these markets' competitive mechanisms. In market coordination, producers need to compete for the customers, for the latter are free to reject the formers' offers for exchange. Thus, those producers can survive and prosper on the market who can sell their products at a profit, whereas the magnitude of profits depends on how well entrepreneurs are able to meet market demand.[443] However, corruption destroys this logic by using the state to provide corrupt actors certain discretional benefits (regulatory intervention, supervisory intervention etc.). This way economic actors can gain a competitive advantage on the market, not on the basis of their ability to meet market demand and lobby in a transparent process—in short, competition—but because they are aided by illegal state intervention. Discretional state favors discriminate

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440 Ledeneva, *How Russia Really Works*, 161.

441 Cf. Laki, "Kényszerített innováció" [Forced innovation].

442 Simis, *USSR: The Corrupt Society*.

443 Mises, "Profit and Loss."

among economic actors in favor of the one who corrupts public actors, and therefore they wreck the competitive logic and have a destructive effect on competitive markets.

Finally, while they have destructive corruption in forms of unauthorized illegality, the dominant form of corruption that relational markets are characterized by is **system-constituting corruption**. Here, corruption becomes systemic and monopolized, as well as a norm of the regime as discretional intervention meets the intention of both the regulator and the dominant institution [→ 5.4.1.1]. The chief patron runs the state as a criminal organization, and the adopted political family reaps the various discretional benefits of the corruption that has been made one of the dominant—though informal—functions of the state.

5.6.2. Mixed Market Economies: the Dynamic Balance of the Three Economic Mechanisms in Market-Exploiting Dictatorships[444]

5.6.2.1. The economies of intermediate regime types

Each of the three economies discussed above fits one polar type regime. **Liberal democracy has a market economy; communist dictatorship has a planned economy; and patronal autocracy has a relational economy.** However, in cases of the intermediate regime types—patronal democracy, conservative autocracy, and market-exploiting dictatorship—the approach that describes them by the dominance of a certain market type is not satisfactory. Indeed, all of these regimes are market economies, meaning that the majority of their markets are competitive in the sense described above. However, these market economies are different than that of liberal democracy because of the different significance of other (subordinate) market types. **In a liberal democracy, markets that are not competitive are marginal phenomena** in the sense that their operation is largely subordinated and dependent on the operation of competitive markets. Simply put, it is competitive markets that "lead" the economy, whereas administrative or relational markets are following. **In intermediate regime types**, however, the dominance of competitive markets is not this robust, with **non-competitive markets becoming more significant**.

Conservative autocracies can be characterized as market economies, but the ratio of state-controlled markets in the economy is significantly larger than in the ideal typical liberal democracy.[445] Their economy, therefore, can be described as **a "mixed" market economy with a (more or less slight) majority of competitive markets and a (more of less slight) minority of administrative markets**. Relational markets, however, do not appear in ideal typical conservative autocracies, and corruption reaches only the level where it is a distorting mechanism. The distinctive feature of conservative autocracies vis-à-vis

[444] We are indebted to Mária Csanádi for her comments and suggestions to this part.

[445] About the growth of public sector in Poland, which is moving toward the conservative autocratic model, see Kozarzewski and Bałtowski, "Return of State-Owned Enterprises in Poland"; Rohac, "Authoritarianism in the Heart of Europe," 5–6. Also, there are liberal democracies which have similarly large (or larger) share of state-controlled markets, although that is not typical.

patronal autocracies is precisely that the leading political elite does not show a patronal character and dominates only the sphere of political action through the formal channels of the governing party. In other words, top-down annexing mechanisms do not appear in conservative autocracies: while the leading political elite has the most important prerequisite—namely the monopoly of political power—to institute a criminal state, it does not use it to do so because it is not subordinated to the principle of elite interest but ideology implementation [→ 2.3.1].

Patronal democracies are the symmetrical opposite. **While in a conservative autocracy the leading political elite could institute a mafia state but does not want to, in a patronal democracy the leading political elite wants to institute a mafia state but is unable to.** The leading political elites of patronal democracies exhibit a patronal character and they are subordinated to the principle of elite interest, but they lack the monopoly of political power. Accordingly, top-down annexing mechanisms in general and economic patronalization and patrimonialization in particular are carried out only partially, whereas the state only reaches the captured state level. Competing patronal networks capture certain markets and turn them relational (and at this aim always the ruling patronal network is the most successful), but the economy as a whole does not become a relational economy. Rather, it can be described as **a "mixed" market economy with a (more or less slight) majority of competitive markets and a (more or less slight) minority of relational markets.**

The situation in **market-exploiting dictatorships** is more complex. While formally it is capitalist and also a market economy, meaning the majority of its markets operate according to regulated market coordination, this observation breaks down as a mere statistical fact with little explanatory value on its own. Indeed, the economy of market-exploiting dictatorships—of which the paradigmatic example in the post-communist region is China—shows a **dynamic balance of the three economic mechanisms**, where it is nearly impossible to tell which market type is dominant in the sense that it would "lead" the other (subordinate) types.

In the following parts, we are going to elaborate on this system in more detail. Theoretically, a market-exploiting dictatorship could evolve from several economies and regime types,[446] but in the post-communist region it has always grown out of communist dictatorships keeping the party state and the lack of political opposition, on the one hand, while setting the economic sphere partially free, on the other. Thus, we will focus on this variant of market-exploiting dictatorship.

5.6.2.2. Bureaucratic resource-redistribution and regulated market coordination: model change without regime change in the party state network

A comparative analytical model for regimes with party states is offered by Mária Csanádi.[447] Her **Interactive Party-State (IPS) model**, as she explains, "is a bottom-up construction that comprises the self-similarities and differences of party states as outcomes of the structural characteristics of power distribution, which are interpreted as networks. In terms

[446] Cf. the description of "capitalist dictatorships" in Holcombe, *Political Capitalism*, 2018, 30–33.

[447] For her seminal work on the subject, see Csanádi, *Self-Consuming Evolutions*.

of both dependency and interest promotion, there are strongly intertwined relationships among decision-makers in the party, the state, and the economy. This leads to a specific process of decision-making […]. Main elements of the party-state network are as follows: 1. the party hierarchy, which monopolizes the political sub-sphere. 2. The state hierarchy, which monopolizes the economic sub-sphere and, therefore, the extraction and distribution of resources. 3. Interlinking dependency lines, which origin in the party hierarchy as its instruments of power that reach out to structures of positions, activities, and organizations in non-party hierarchies. 4. Structural feedbacks, within both party and state hierarchies as well as between state and party hierarchies."[448]

This model is adequate for the purposes of our framework because it allows us to map out and compare the interactions of the sphere of political and market action in communist dictatorships as well as market-exploiting dictatorships. Indeed, Csanádi identifies **three ideal typical patterns of the party-state network** that are differentiated on the basis of how bargaining power—defined as the capacity to extract, attract and distribute (economic) resources and to resist state interventions—is distributed among the actors (Table 5.26).[449] In the pattern that she calls **"self-exploiting"** and fits to ideal type communist dictatorships, **power is centralized** in the hands of the top-level nomenklatura. Central planners coordinate the bureaucratic resource-redistribution process with few feedbacks, given the subjects below them have limited capacity to resist or bargain. We may add that the planned economy is also a **closed totalitarian production structure** in the sense that (1) everyone is allowed to produce only what he is assigned to (physical targets may be overfulfilled but new, private enterprises cannot be started) and (2) there are no formal markets where products that are produced beyond the plan could be sold and bought at market prices. In short, this is **the ideal typical model of communist dictatorship and planned economy**, which characterized the Soviet Union under Stalin, Eastern Europe and China in the 1950s, Romania until the revolution in 1991 and North Korea to date.[450]

At this point there is no need to elaborate on the **self-disintegrating** pattern, as it does not fit any ideal type regime *per se* (rather it is a pattern where communist dictatorships can shift, moving closer to the model of market-exploiting dictatorship).[451] The model we need to focus on is the **self-withdrawing** one, which Csanádi regards as a mode of functioning of communist dictatorship but we understand it as **the ideal typical model of market-exploiting dictatorships**. As we stated in the title, the evolution of communist dictatorships to market-exploiting dictatorship means a model change without a regime change, with which we refer to the fact that the system remains a dictatorship and the party state retains its hegemony in the sphere of political action [→ 7.3.1]. However, while the main features of the party-state network in the self-exploiting pattern were (1) power centralization and (2) the closed totalitarian production structure, the process of transformation means that the party state gives up precisely these two features. In market-exploiting dictatorships, **power**—in our terms, planning of the bureaucratic resource-redistribu-

448 Csanádi, "China in Between Varieties of Capitalism and Communism," 8.

449 Csanádi, "Interpreting Communist Systems and Their Differences in Operation and Transformation as Networks."

450 Csanádi, "China in Between Varieties of Capitalism and Communism," 10.

451 Csanádi, "The 'Chinese Style Reforms' and the Hungarian 'Goulash Communism.'"

tion—**gets decentralized and the production structure opens** within the framework of the party state system.

Table 5.26. Ideal typical patterns of power distribution in the IPS model. Source: Csanádi (2014, 21).

Traits	Self-exploiting (e.g., North Korean and all initial)	Self-disintegrating (e.g., Hungarian from 1956 onwards)	Self-withdrawing (e.g., Chinese from 1979 onwards)
Distribution of power	centralized extraction and distribution, centralized interlinking threads, few feedbacks	centralized extraction and distribution, centralized (or decentralized) interlinking threads with strong economic feedbacks	partially decentralized extraction and distribution and either centralized or decentralized interlinking threads with economic feedbacks
Bargaining capacities of actors in the network	faint attracting and resisting capacity	selectively strong attracting and resisting capacity	selectively strong attracting and resisting capacity, owing to feedbacks and decentralized alternative resources
Constraints of self-reproduction	rarely hard	occasionally hard	frequently hard
Modes of resource extraction	forced resource redeployment	resource mobilizing (decentralizing) reforms within the network	resource mobilizing and resource creating reforms within and outside the network
Economic development	forced growth of heavy industry to physical boundaries	economic recession and reform escalation within the network	economic growth outside the net, recession within the net and reform escalation outside the network
Legitimacy and retreat	tensions growing, no retreat, abrupt collapse	party legitimacy declining, relative and absolute gradual retreat from political sub-field	party legitimacy kept, relative and absolute gradual retreat from economic sub-field

In China, this process took place through a series of gradual reforms:[452]

- more decision-making power (about production, marketing, investment decisions, staff etc.) was delegated to sub-national levels and to state-owned enterprises resulting in the spread of horizontal links within the system;
- cooperatives in agriculture were dissolved and a household responsibility system was introduced, leaving the interlinking lines of the network formerly attached to cooperatives in limbo;
- the scope and quantity of compulsory production was narrowed, higher prices in state procurement were applied;

452 Pei, *From Reform to Revolution*, 85–117; Csanádi, "China in Between Varieties of Capitalism and Communism," 20–23.

- a dual price system was introduced, allowing the subjects to sell their over-the-plan products at market prices (first in agriculture in the 1970s and then in industry from the early-/mid-1980s);
- the market was "opened up" as entrepreneurship outside the network was allowed, both in the form of FDI and in the form of new domestic private enterprises (including greenfield investments).

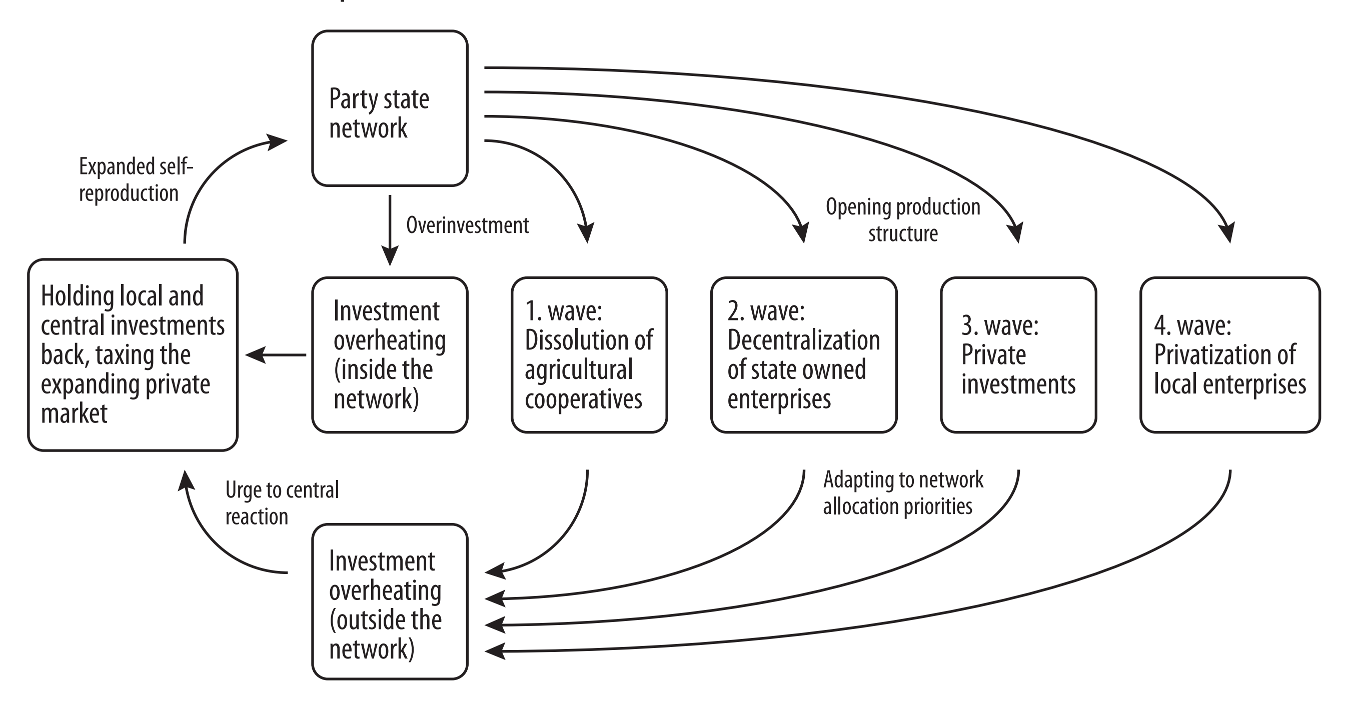
This explains how **bureaucratic resource-redistribution and regulated market coordination mix and form a dynamic balance**. A private market economy emerges parallel to, or above, the existing planned economy as the party state—which managed production and redistributed resources in communist times—passes some of the production role to the private sector. Accordingly, regulated market coordination in the new competitive markets remains rather sensitive to the dynamics of the original network. To illustrate this point, we describe the **investment overheating** produced by the new economy, echoing the investment overheating typical to party-state networks.[453] In communist dictatorships, central planners try to accelerate economic growth by expanding investment activity. If the plan overestimates the economy's capacities—often because of plan bargain and false reporting—the network faces a hard production constraint, and the inadequacy of resources forces the party state to stop the expansion. This results in a pattern of investment cycle,[454] which might even be recognized as an "administrative-market bubble," led by exaggerated plan expectations in contrast to the exaggerated corruption expectations in relational markets and the exaggerated market expectations in competitive markets [→ 5.5.4.3]. In market-exploiting dictatorships, however, investment cycles are both amplified and used for the network's **expanded self-reproduction**. On the one hand, they are amplified as the competitive markets outside the network try to adapt to the allocation priorities of the network instead of adapting to actual market demand. As a result, the amplitude—and, in case it happens with a lag, the duration—of investment overheating is expanded. On the other hand, the party state can now not only "step on the breaks" in terms of stopping investments but also taxing the emerging markets that are overheating. This means that hard production constraints are softened and the network is capable of expanded self-reproduction, accompanied by the growth of the equilibrated competitive markets. Figure 5.13 depicts this process in China in a stylized form, showing the consecutive waves of emergence of private markets as a result of the reforms. (Yet it is important to note that the waves are only analytically isolated and what we describe as second and third wave have appeared again and again, with different forms and intensity, in the subsequent waves as well.)

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453 Csanádi, "Systemic Background of Local Indebtedness and Investment Overheating during the Global Crisis in China," 162–66; Kornai, *The Socialist System*, 186–92.

454 Bauer, "Investment Cycles in Planned Economies."

Table 5.13. Investment cycles in the Chinese market-exploiting dictatorship. Note: the first wave was a one-time expansion, whereas the other waves continued to expand the private economy parallel to the subsequent waves.



Nevertheless, the party-state network still heavily regulates the new economy and controls some strategic industries.[455] According to Marc Szepan, the Chinese economy can be characterized by "the coexistence of and intense competition among state-owned enterprises and private companies," whereas in both groups we can find (1) state-proximate and state-supported and (2) market-based and competition-oriented companies.[456] He goes on to explain that **state bodies exert an influence on companies through the use of six typical mechanisms**:[457]

- **profit transfers through state ownership**, meaning shares in a company owned by the central or local government are held by an asset management commission;
- **managerial appointments through the CCP (Chinese Communist Party) cadre system**, where (1) the State-owned Asset Supervision and Administration Commission (SASAC) is officially responsible for making appointments to top positions within the state-owned enterprises and (2) upper and even middle management positions in related firms are generally given only to CCP members;
- **lending by banks and financing**, whereby the state can wield significant influence over both public and private companies by means of capital allocations;

[455] In China, these include banking, telecom, and natural resource extraction. Csanádi, "China in Between Varieties of Capitalism and Communism," 16.

[456] Szepan, "4.5 Government Involvement in the Chinese Economy," 209.

[457] Szepan, "4.5 Government Involvement in the Chinese Economy," 210–12.

- **funding through industrial policy**, as the Chinese state pursues an active state-specific industrial policy;
- **regulations (approvals etc.)**, similar to regulatory interventions in market economies [→ 5.4.2];
- **public procurements when the state is the key customer.**

Recently, party organizations have been implanted at 60–70% of private companies of foreign as well as domestic owners, and there have been instances of coopting heads of large private companies into the state party.[458] Yet these are to be seen as guarantees, that is, opportunities for the party to intervene, augmenting legal accountability with an accountability regarding the party state's substantive-rational goals (referring to the so-called "party ethics"). Thus, such measures do not revive central planning and a substantial market economy is allowed to grow outside the network.[459]

As a result of letting competitive markets grow, **the party-state network retreats** in both absolute and relative terms vis-à-vis the private sector. According to Csanádi, this "systemic transformation process evolves as the party-state network is retreating as a social system from monopolized subspheres, and the sub-spheres of a new social system are emerging outside of the network. Transformation may be absolute, when physical changes in the network occur: bargaining through the channels declines (the network is emptied), weakened, constrained, or cut off. Transformation may be also relative, when either the network does not retreat but emergence and expansion of the new subfield (political or economic) is in process, or the speed of retreat is faster than the speed of emergence, or both are expanding but the speed of emerging subfield is higher. The dynamics of relative or absolute retreat and emergence develop in strong interaction."[460] At the same time, we can also see a dilution in the membership of the network, following that "alternative capital, actors and interests enter […] as owners in joint ventures, shareholders, members in Peoples' Parliament or in inter-ministerial committees etc."[461]

The obvious question at this point is **why the party state engages in such reforms**. After all, while it arguably keeps its dominant position in strategic industries and influences the newly emerging markets, it loses the dominance it had in the planned economy in the totalitarian setting of communist dictatorship. Also, the appearance of a private economy and the turn of the majority of markets from administrative to competitive entail autonomy and individual sovereignty, which pose dangers for the indivisibility of power of the party state.[462] The answer can be found in Table 5.26, if we compare this pattern with the self-exploiting and the self-disintegrating patterns. On the one hand, by opening up the market, while new private actors may indeed gain stronger bargaining capacity in the network, they also bring about **an escalation of new resources and economic growth**. These help the party-state network's survival (in Csanádi's terms, self-reproduction) as the

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458 Brant, "Why Is Jack Ma a Communist Party Member?"

459 Yan and Huang, "Navigating Unknown Waters."

460 Csanádi, "China in Between Varieties of Capitalism and Communism," 18.

461 Csanádi, "China in Between Varieties of Capitalism and Communism," 21–22.

462 Kornai, *The Socialist System*, 362.

> **Box 5.12. Market socialism before the regime change.**
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> "The fundamental idea behind [market socialist reforms] is for the market to become the basic coordinator of the socialist economy, or at least equal in rank with the bureaucratic mechanism, augmenting central planning, while public ownership remains the dominant property form. [. . .] The need to give firms an interest in raising their profits is underlined in the official documents of all reforming countries. That intention lies behind the system of payment and bonuses of managers; there is profit-sharing among the workers; the size of the firm's welfare expenditure depends on its profits. [. . .] In spite of the state principles and legal measures listed above, the firm's profit incentive remains weak [. . .]. Profitability fails to become a matter of life and death or a central target of the firm because the budget constraint is still fairly soft. [. . .] Use is still made in the market-socialist economy of all four methods of softening the budget constraint: (1) soft subsidization, (2) soft taxation, (3) soft credit provision, and (4) soft administrative pricing [. . .]. A market based on private ownership [. . .] imposes a discipline. The rivalry is merciless; a seller who goes under in a buyers' market is forced into exit. [. . .] Banks insist that loans be repaid, and if need be sell the roof over the head of an insolvent debtor [. . .]. This rigor of the market based on private ownership is missing from a semideregulated public sector."
>
> – János Kornai, *The Socialist System: The Political Economy of Communism* (Oxford: Clarendon Press, 1992), 474, 489, 509.

more the economy grows, the more resources the party state can extract from it, the higher the people's living standards become, and the state party's legitimacy may be prolonged.

On the other hand, **the reforms of self-withdrawing can be seen as top-down and economy-wide corrections**, very much in the vein of bottom-up correcting mechanisms discussed above. Indeed, the new economic mechanism makes the market more sensitive to consumer demand as people can engage in voluntary exchanges more freely. This was the aim already of the so-called "market socialist" reforms in Central-Eastern Europe, the main difference being that there the production structure was opened to a much lesser degree. In the market-socialist reform model, administrative markets only simulated competitive markets and new incentives were not introduced in the form of genuine private property or market coordination (see Box 5.12). However, in the model of market-exploiting dictatorships, a genuine market economy with competitive markets emerges above the planned economy.[463] Furthermore, the massive economic growth that takes place outside the network contributes to the continuous increase of living standards and creates jobs, all contributing to the legitimacy of the party state (as mentioned in the last row of Table 5.26).

To sum up, the two reasons to engage in such reforms explain why we call this regime type a **"market-exploiting" dictatorship**: maintaining the formal monopoly of political power, **the party state (partially) sets the sphere of market action free so it can reap its fruits in terms of political legitimacy, economic self-reproduction, and social stability**.[464]

5.6.2.3. Regulated market coordination and relational market-redistribution: the trilateral pressure of informality on the reformed party state

While the introduction of regulated market coordination is a process launched by the party state deliberately, **the appearance of relational market-redistribution is more of an unintended consequence** of the model change to market-exploiting dictatorship. While competitive markets do emerge as a result of the process, the context in general and the

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[463] Indeed, delegations of Chinese experts studied "market socialism" in Hungary extensively. Vámos, "A Hungarian Model for China?"

[464] For further discussion of mechanisms of legitimacy in China, see Holbig and Gilley, "Reclaiming Legitimacy in China."

reforms that create the markets in particular make them prone to be annexed by patronal networks.

The most important annexing mechanism in market-exploiting dictatorships is **top-down state capture**, that is, economic and political patronalization and patrimonialization on the local level. The model change, and especially its two main pillars—decentralization and opening up the production structure—contribute to the likelihood of this outcome in the following ways:

- **decentralization of power without party competition grants local party leaders a local monopoly of political power.** As Chinese corruption expert Jiangnan Zhu explains, "[the] delegation of greater responsibility to lower level governments to optimize economic growth […] inadvertently [leads] to the development of many closed 'local or vertical kingdoms' independent of central oversight and public supervision."[465] On the local level of the bureaucratic patronal hierarchy, centrally assigned resources as well as the tax revenues of locally registered companies are being handled by the local party secretaries, who have authority over the public projects and contracts financed from these resources. Therefore, these "provincial leaders, especially in the more affluent […] provinces, control economic resources similar to that of nation states. With such wide-ranging responsibility, little oversight and lack of accountability in an authoritarian state […], provincial leaders and those close to them can more easily use their positions to develop large corruption networks;"[466]
- **the lack of party competition leads to political patronalization and patrimonialization.** In the phenomenon Zhu calls "factionalism," the bureaucracy of local governments transforms into informal patronal networks, "where patrons are higher-level officials and clients are their subordinates."[467] Indeed, this already marks the pattern of top-down state capture or even criminal state on the local level, and it follows the lack of party competition. As Zhu explains, "[without] democratic elections as a way to measure which political elites are more popular, a patron may need to signal power to others through his large group of followers and clients who can obtain preferential treatment or promotions from their powerful patron. Thus, both the patron and client will strive to provide each other with protection during political struggles;"[468]
- **that competitive markets are built upon administrative ones makes market-distribution a discretional power of party secretaries**. While competitive markets do start growing outside the party-state network as the production structure is opened up, the party state still "keeps tight control over most investment projects using its power to issue long-term credit and to grant land-use rights."[469] Simply put, it is up to the party to decide who can enter a newly established market and

[465] Zhu, "Corruption Networks in China: An Institutional Analysis," 32–33.
[466] Zhu, "Corruption Networks in China: An Institutional Analysis," 32–33.
[467] Zhu, "Corruption Networks in China: An Institutional Analysis," 34–35.
[468] Zhu, "Corruption Networks in China: An Institutional Analysis," 34.
[469] Zhu, "Corruption Networks in China: An Institutional Analysis," 34.

> who cannot. More precisely, this power is not exercised by the party state *per se* but it is also decentralized, for local leaders are believed to know the situation in their locality better and accordingly to be more competent in judging investment decisions than the central party leadership. In line with this, in China—as Csanádi writes—"in 2009 investments in fixed assets undertaken, overseen and permitted by sub-national governments were overwhelming in all sectors, including manufacturing (95%), real-estate (98%), construction (92%), mining (68%) and different services (between 99 and 48%)."[470] Combined with the previous two factors, while theoretically the local governments could bring normative regulations, regulations tend to be discretional and the delegation of economic decision-making powers to the local governments often leads to economic patronalization and patrimonialization. As Zhu notes, private entrepreneurs "may even become the local officials' wallet to deliver bribes for political promotion."[471]

Depending on the corruption scheme they represent, we can speak about **sub-sovereign kleptocratic states or sub-sovereign mafia states** as a result [→ 2.5.3]. In China, forms of corruption suggesting both types have been prevalent. On the one hand, Heilmann describes a specific form of corruption he calls "dividend collection," which can be understood in our terms as a subtype of kleptocratic functioning. As he explains, party cadres "regularly demand a share of company profits in exchange for growth- and stability-enhancing administrative services; the involved companies often grow quickly for a period of time."[472] In this sense, dividend can be understood as a form of protection money [→ 5.3.3.1], one that is linked to performance targets. This creates a symbiotic community of interests between the cadre and the (private) company leader, as both become interested in the growth of the company. Thus, the cadre will try to manipulate state intervention and the regulatory environment to help the company's growth, so he can collect higher dividends. These monies are then often removed from the country through capital flight and then re-invested, under new names, enriching the cadre as well as his family.[473] On the other hand, Heilmann also describes "predatory" corruption in China, which he defines as "systematic theft of public and private assets; consumption or export of misappropriated assets (capital flight)."[474] While this is broader than our definition of predation [→ 2.4.4], it does encompass what we call "predation," too, suggesting that predatory practices as well as sub-sovereign mafia states exist in China.

In either case, the patronal networks of the corrupt sub-sovereign states **annex the competitive markets under their authority and exercise relational market-redistribution on a patronal basis.** As Zhu writes, in this pattern of top-down state capture "groups of officials working collaboratively like a mafia […]. Although some cases, such as collective embezzlement, only involve government officials, most collective corruption includes complex

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[470] Csanádi, "China in Between Varieties of Capitalism and Communism," 14. Also, see Szamosszegi and Kyle, *An Analysis of State-Owned Enterprises and State Capitalism in China*, 52:33.

[471] Zhu, "Corruption Networks in China: An Institutional Analysis," 33–34.

[472] Heilmann, "4.8. 'Cadre Capitalism' and Corruption," 231.

[473] Heilmann, "4.8. 'Cadre Capitalism' and Corruption," 230–33.

[474] Heilmann, "4.8. 'Cadre Capitalism' and Corruption," 231.

corrupt networks, which transfer interests among officials in different local bureaucratic systems and to actors outside the government […]. In these cases, the major players in the criminal networks [can be] private entrepreneurs, state-owned enterprise (SOE) managers, gangsters, local governors, party leaders, bureaucrats, and law enforcers."[475]

Corruption in China right after the reforms had started did not lead to this outcome immediately. Rather, what could be seen initially was the appearance of voluntary forms of corruption, such as free-market corruption and cronyism that are still present in China to this day. The corruption that had existed within the party state network expanded and took new forms as a private economy was established.[476] In Heilmann's words, "the Chinese state became an enormous illicit trading floor: company directors, party secretaries, and heads of authorities diverted the means of production and function from the state's economic sector to supply newly created markets; leading political positions and official approvals were exchanged for shares of profits in lucrative private transactions […]. Major and minor holders of power at every level of the party […] enriched themselves by taking advantage of the opportunities provided by the still imperfect market and legal order."[477] However, since competitive markets were firmly established and the size of the private economy became comparable to that of the party-state network, top-down state capture has been the typical and most serious form of corruption in the country.[478] This experience as well as the theory outlined above suggests that market-exploiting dictatorships are ideal typically prone to produce cases of top-down state capture, making relational market-redistribution a significant element alongside regulated market coordination and bureaucratic resource-redistribution.

The emergence of sub-sovereign mafia states and informal patronal networks is a problem for the top party leadership not simply because public funds are being misused. Rather, high-level nomenklaturists must bear in mind the bigger picture as well, which is **the tendency of "mafiafication" of the party state.** Informal patronal networks, even if they start on the level of sub-sovereign government, can grow and capture more parts of the party state if the chief patron gains access to new positions in the party-state hierarchy. In such cases, the top patron patronalizes every political institution under his authority, making his patronal network a nation-level adopted political family.[479] Indeed, informal patronal networks have been created by some higher-level nomenklaturists as well, referred to as **"princelings"** in the Chinese literature. As Heilmann explains, these people are "[children] and other relatives of former or current party and army cadres [and] play a prominent role in politics, the armed forces, and the economy […]. Princelings of the CCP

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[475] Zhu, "Corruption Networks in China: An Institutional Analysis," 29. Also, bottom-up state capture—as another annexing mechanism—is not uncommon in market-exploiting dictatorships, but it is much more sporadic as it does not follow from structural/institutional reasons. Bottom-up state capture in market-exploiting dictatorships is mainly initiated not by oligarchs but by crime bosses and criminal networks, that is, private elements that did not emerge as a result of the reforms but existed independently from them. See Wang, "The Increasing Threat of Chinese Organised Crime."

[476] Pu, "How to Block the Connection between 'Public Power' and 'Private Desires'"; Zhu, "Corruption in Reform Era: A Multidisciplinary Review."

[477] Heilmann, "4.8. 'Cadre Capitalism' and Corruption," 228–29.

[478] Zhu, "Corruption Networks in China: An Institutional Analysis," 28–29.

[479] This is well exemplified by the case of Zhou Yongkang, who is one of the highest-ranking officials indicted on corruption charges in China. See Zhu, 36–39.

Box 5.13. Corruption in the non-mafia state of China.

"Corruption in China does show signs of being organized. Xi Jinping's anticorruption drive has revealed sizeable networks of corrupt bureaucrats linked to two core figures, both now under lifetime jail sentences: Zhou Yongkang [...] and Ling Jihua. [...] Authorities [...] uncovered a number of provincial syndicates, headed by local party secretaries, that had links to the Zhou and Ling networks. [...] The organization present in these corrupt networks, however, most likely did not rise to the level one would expect in a [mafia state]. First, corruption was not orchestrated from the top: Although both Zhou and Ling were powerful men, neither was the country's paramount leader, and there is no credible evidence that they were functioning as then-general Secretary Hu Jintao's henchmen. [...] Second, the corrupt groupings that did exist were relatively loosely organized. [...] Third, much of the corruption uncovered [...] seems to have taken place outside of any hierarchical organization: About a third of the senior officials taken down were 'free-ranging tigers' who did not appear to be tied to any networks. [...] Finally, there is no strong evidence of direct links between 'grand corruption' at the top and the mass of corrupt officials at the grassroots level. If grand corruption in fact encouraged petty corruption, then it did so by example, not by design. In sum, there is evidence that grand corruption in China was organized, but the syndicates did not make up a monolithic, vertically integrated, mafia-like structure."

– Andrew Wedeman, "Does China Fit the Model?," *Journal of Democracy* 29, no. 1 (2018): 92.

can act as the **heads of politically and economically active 'clans' that combine the leading positions in the state apparatus with entrepreneurial pursuits of profit for private gain**. [. . .] As a result, they are often thought to be involved in organized corruption and capital flight—and there is indeed ample evidence of such activities" (emphasis added).[480]

Heilmann goes on to point out that "[an] astonishing number of princelings were elected to leading organs of the CCP during the 2007 and 2012 party congresses; the results of the voting indicate that there was no longer any evidence of resistance to their rise to power."[481] In our triangular framework of regimes, this tendency of mafiafication means a movement downward from market-exploiting dictatorship toward patronal autocracy: power is gradually "grabbed out" from the formal networks of the party state and moved into informal networks, carrying the risk of eventually transforming the state party into a transmission-belt party. This is a direct threat to the state party, which itself, as Wedeman reminds, does not organize corruption from the top and does not want to degenerate into a criminal organization either (see Box 5.13). No wonder Chinese scholars claim that the party leadership regards the containment of corruption in China as a "fight to the death" for the CCP.[482] Indeed, **mafiafication poses a challenge to the self-sustaining equilibrium of market-exploiting dictatorship** [→ 4.4], which in turn must build up effective defensive mechanisms to counter this challenge.

While the threat of system-destroying corruption is partially made possible by **the lack of party competition**, this very same factor **explains why the phenomenon can be contained** (and why the economy as a whole may not become a relational economy). In post-communist countries where formally democratic institutions and multi-party systems were established, informal patronal networks could launch autonomous patron's parties and enter the party competition freely, using the parties as interface to the sphere of political action. In market-exploiting dictatorships, however, those who form the patronal networks are members of the state party, thus the state can penalize an informal patronal network as a violation of party discipline.[483] In other words, the competition of patron's parties would mean that there are multiple power centers in the state which are all interested in sustaining informal politics. In such an environment, a less-than-fully active, politically proportionate law enforcement

480 Heilmann, "3.7. Informal Methods of Exercising Power," 185–86.

481 Heilmann, "3.7. Informal Methods of Exercising Power," 186.

482 Quoted by Heilmann, "4.8. 'Cadre Capitalism' and Corruption," 227.

483 Zhu, "Corruption Networks in China: An Institutional Analysis," 28.

would develop [→ 4.3.5.1] and no full strike against informal patronal networks could start until someone gets the monopoly of political power [→ 4.4.2]. But in a market-exploiting dictatorship the top-level nomenklatura already has the monopoly of political power and thus nation-level law enforcement is active.[484]

In China, crack down on relational markets and the mafiafication of the state takes the form of fierce **anti-corruption campaigns**. Such campaigns have been part of the political life for decades and just like classical communist campaigns they focused on the low- and mid-level nomenklatura and lasted for a predefined duration. The quantitative as well as qualitative change in the campaign that general party secretary Xi Jinping launched in 2012, while many regard as a crackdown on political opponents (and not without reason),[485] indeed marks a fight against the tendency of mafiafication. As Zhu writes in agreement with other scholars, "Xi intends to attack corruption within the party and state by the particular means of breaking down collective corrupt kingdoms established by high-ranking officials at the national level […]. Consequently, a prominent feature of this campaign is the heavy attack on high-profile corruption committed by 'big tigers', or senior officials at or above provincial and ministerial levels, along with an unrelenting crackdown on lower-level corrupt officials, or the flies."[486] Along with a previously unseen number of officials being arrested, the campaign also attempted to root out sub-sovereign mafia states by attacking their capacity to disable control mechanisms. As political scientist Melanie Manion points out in a paper, in China as part of Xi's campaign "'investigations of corruption would no longer require approval of the party committee at the same level, but instead are initiated from above, by approval of the immediately superior DIC [disciplinary inspection committee]. Authority to nominate and vet (for appointment to office) DIC heads and deputy heads is now vested in the immediately superior DICs and organization department."[487] This situation means that it is no longer the authorities of the sub-sovereign state are asked to supervise themselves, but the higher-level nomenklatura took this right in their own hands.

Table 5.27. Tensions between formal and informal rules in Chinese politics. Source: Heilmann (2016, 182).

Formal rules	Widespread informal rules
Formalized system of cadre recruitment	Party patronage networks and the sale of political positions
Bureaucratic hierarchy and the establishment of universal rules	Domestic lobbies and clientele-based economic regulation
State property rights	Informal privatization and uncontrolled draining of state assets
Equality before the law	Manipulation of the judicial system to benefit party officials and their relatives
Fiscal system with binding allocations of revenue	Revenue retained by local governments and continual negotiations over the division of revenue

484 Cf. Zhu, "Corruption in Reform Era: A Multidisciplinary Review," 308.

485 Jiang and Xu, "Popularity and Power."

486 Zhu, "Corruption in Reform Era: A Multidisciplinary Review," 317–18.

487 Manion, "Taking China's Anticorruption Campaign Seriously," 8.

Finally, we need to stress that market-exploiting dictatorships situated in the post-communist region also feature several **cultural factors** that make fighting informal networks harder. In case of China, this factor is none other than ***guanxi***, which people often regard as more important than written contracts or obligations to the state.[488] Combined with more business-like **Western forms of corruption—**such as free-market corruption and cronyism which have also risen parallel to the expansion of the private sector—and **post-communist forms of corruption—**particularly top-down state capture, as explained above—we can say that the Chinese leading political elite is indeed faced with a **trilateral pressure of informality**.[489] Heilmann also provides a list of the tensions between formal and informal rules in Chinese politics (Table 5.27) and points out that corruption and informal practices "have had an erosive effect on the official institutions of the party-state."[490]

5.6.3. From Crony to Mafia: Types of Political Capitalism

One of the lessons of the previous part is that, while defining the three economies by the dominance of certain market types leads to clear-cut categories, their explanatory value weakens as a subordinate mechanism in the economy becomes more significant. We may refer back to our analogy with the natural sciences above, saying that the movement of a celestial body influences the movement of other bodies even if it is not directly connected to them. In this case, while a subordinate mechanism does not become dominant, it becomes significant enough to influence the workings of the dominant mechanism. Accordingly, it is worth making the following differentiation:

- **a subordinate mechanism is marginal** if it does not influence the workings of the dominant mechanism;
- **a subordinate mechanism is significant** if it influences the workings of the dominant mechanism.

One of the reasons that can make a subordinate mechanism significant if it is initiated top-down, or at least **if a high number of governmental actors engage in exchanges related to a subordinate mechanism**. Given the exceptional status of the state in every polity, the actions of the leading political elite shape the expectations and actions of private economic actors even if the mechanism that the leading political elite introduce does not become dominant and the main character of the economy (in terms of the dominance of a market type) does not change.

Following these insights, a set of concepts can be outlined for capitalist economies, starting from more corrupt market economies, where governmental actors engage in corrupt actions but it does not become a dominant mechanism, and ending with full-fledged

[488] Wang, "Extra-Legal Protection in China." Also, see our previous description of *guanxi* in Part 5.3.6.

[489] Cf. Chang and Tang, "Improve the Ruling Party's Mechanism of Combating Corruption."

[490] Heilmann, "3.7. Informal Methods of Exercising Power," 182.

relational economies, where corruption of the leading political elite is system-constituting. As an umbrella term, we use the term political capitalism:

- **Political capitalism** is a capitalist economic system which is characterized by collusive corruption of governmental actors in significant enough a number to influence the workings of the economy's dominant economic mechanism.

As we mentioned in the beginning of the chapter, the expression "political capitalism" is the title of Randall G. Holcombe's book, which we cite often as a piece of relational economics. However, the case that Holcombe uses the concept for does not qualify as political capitalism in our terms: he analyzes liberal democracies and lobbying, which we understand as legal and formal cooperation instead of collusion and corruption that our definition entails. At best, as we understand lobbying as a distorting mechanism of regulated market coordination, its institutionalization might be interpreted as a relational degeneration of the market economy but not something that changes the fundamental character of the system.[491]

In turn, we define four ideal types of political capitalism by the four patterns of corruption that involve governmental actors: cronyism, bottom-up state capture, top-down state capture, and the criminal state (Table 5.28). The first type, accordingly, is crony capitalism:

- **Crony capitalism** is a type of political capitalism where the collusive corruption involving governmental actors is cronyism. In crony capitalism it is cronies who initiate the corrupt transaction, resulting in (1) occasional corrupt transactions without vassal chains, (2) a rent-seeking state with free competition for rents (free entry, free exit) and (3) market capture.

Table 5.28. Types of political capitalism.

	Dominant form of corruption	Initiating actors	Types of capture(s)[489]	Type of state	Corruption market
Crony capitalism	Cronyism	Cronies	Market capture	Rent-seeking state	Free competition (free entry / free exit)
Oligarchic capitalism	Bottom-up state capture	Oligarchs	Market + state capture	↓	↓
Patronal capitalism	Top-down state capture	Poligarch		Kleptocratic state ↓	↓
Mafia capitalism	Criminal state	Adopted political family	Market + state + oligarch capture	Predatory state	Monopoly (adoption / casting out)

[491] Cf. Holcombe, *Political Capitalism*, 2018, 33–42.

[492] Cf. Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*, 87–101.

"Crony capitalism" has been a catchword in the literature on corruption, describing virtually any states where the leading political elite was corrupt and gave discretional favors to their friends or family members.[493] But as we have explained already when we defined cronyism, "crony" is a word that implies friendship, that is, voluntary horizontal relations instead of coercive patron-client ones. Both parties enter into the corrupt relation freely, and there is free exit from the relation as well. Furthermore, cronyism also entails that the relation between cronies is used for corrupt transactions only occasionally, on a case-by-case basis and not as part of a corrupt network of regular chains of (bribe or protection) monies.

The second type is oligarchic capitalism:[494]

- **Oligarchic capitalism** is a type of political capitalism where the collusive corruption involving governmental actors is bottom-up state capture. In oligarchic capitalism, it is oligarchs who initiate the corrupt transaction, resulting in (1) regular corrupt transactions with local/segmental vassal chains, (2) a rent-seeking or kleptocratic state and (3) market and state capture.

"Oligarchic capitalism" has also been used frequently to describe post-communist countries such as Russia and Ukraine.[495] However, the point we need to emphasize is that patronal autocracies are not oligarchic capitalist by definition. For in oligarchic capitalism, it is oligarchs who capture the state in a bottom-up fashion, whereas in a patronal autocracy it is the chief patron, a poligarch (the head of executive power) who patronalizes and patrimonializes the spheres of political and economic action in a top-down fashion and runs the state as a criminal organization accordingly.

Third, we define patronal capitalism:

- **Patronal capitalism** is a type of political capitalism where the collusive corruption involving governmental actors is top-down state capture. In patronal capitalism it is poligarchs who initiate the corrupt transaction, resulting in (1) regular corrupt transactions with local/segmental vassal chains, (2) a kleptocratic or predatory state and (3) market and state capture.

To the best of our knowledge, "patronal capitalism" has not been used in the literature yet (the closest equivalent may be the concept of "clan capitalism," as used by Leonid Kosals for Putin's Russia).[496] However, it needs to be stressed that not every patronal country is also a case of patronal capitalism. **Patronal capitalism can be best associated with patronal democracy**: what we can see in such a system is top-down state capture, which in turn remains a partial phenomenon of either geographically limited patronal rackets or informal

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493 For a seminal work, see Kang, *Crony Capitalism*.

494 We omit from the definition of oligarchic capitalism the dimension of the corruption market because it is a continuum, with clear points only in cases of crony and mafia capitalism.

495 Menshikov, "The Anatomy of Russian Capitalism"; Bojcun, "Ukraine."

496 Kosals, "Essay on Clan Capitalism in Russia."

patronal networks that are limited to the authorities that formally belong to their patrons. The similarity they share with the system of patronal autocracies is that it indeed is informal patronal networks or adopted political families that capture certain parts of the state, disabling local control mechanisms and using the power at their disposal in kleptocratic ways—for the illegal rent-seeking of the clients—or in predatory ways—to appropriate economic units of local entrepreneurs or oligarchs (if they are able to do so without the help of nation-level institutions of supervisory intervention).

Finally, the fourth type of political capitalism in our toolkit is mafia capitalism:

- **Mafia capitalism** is a type of political capitalism where the collusive corruption involving governmental actors is the criminal state. In mafia capitalism, it is the adopted political family who initiates the corrupt transaction, resulting in (1) regular corrupt transactions with monopolized and centralized vassal chains, (2) a predatory state with rents being distributed from above (adoption/casting out) and (3) market, state and oligarch capture.

"Mafia capitalism" derives from the notion of the mafia state, and indeed this is the only system of political capitalism that is by definition a relational economy, featuring a *de facto* dominance of power&ownership as well as relational market-redistribution. Mafia capitalism is characterized by the intrinsic logic of the accumulation of power and wealth, which primarily determines the leading political elite's actions and which realizes a combination of political power concentration and the growth of fortunes in the hands of the adopted political family by means of mafia culture elevated on the rank of central politics. **Mafia capitalism is the ideal typical form of (political) capitalism in a patronal autocracy**, where the chief patron captures: (1) the state, meaning political patronalization and patrimonialization; (2) the market, meaning economic patronalization and patrimonialization of competitive markets; and (3) the oligarchs, meaning the patronal subjugation of formerly autonomous oligarchs in a single-pyramid network of obedience [→ 3.4.1.3]. In his own polity, the chief patron has unconstrained power, which entails maximum amplitude of arbitrariness in state intervention from his part and maximum amplitude of vulnerability from the part of his clients. Furthermore, with the bloodless means of public authority the chief patron can initiate predation against any company with a positive stalking value, hunting it down and integrating it into the ownership orbit of the adopted political family as booty.

To sum up, the utility of these concepts can be appreciated by considering what would be seen from these processes if we focused solely on the formal identity of the actors and the formal processes of economic and political action. Indeed, to an observer accustomed to liberal democracies and the neoclassical synthesis even mafia capitalism would seem like a market economy. A mainstream analyst would see the cooperation of major entrepreneurs—autonomous actors with a focus on economic gains—and politicians—autonomous actors with a focus on political gains; he would see the regular means of taxation and state regulation, albeit used in somewhat "non-conventional" ways; and he would surely presume that the state acts in pursuit of the societal interest—with possible deviations, not unlike in liberal democracies. However, as soon as we put on the glasses of relational economics and consider the variety of informal as well as formal relations

between political and economic actors, a completely different landscape can be seen. Not politicians interacting with entrepreneurs, but poligarchs using front men, subjugating oligarchs and establishing relational markets with discretional state intervention, all in pursuit of their own elite interest. In this analytical framework, the reality of post-communism can be revealed and features such as power&ownership and top-down corruption can be situated in their rightful place—as essential elements which define the system, and not as some exotic side effects in a fundamentally Western-type capitalism.

6. Society



6.1. Guide to the Chapter

This chapter deals with **comparative conceptualization of societal phenomena**. It unfolds along the lines of Table 6.1, which contains many of the concepts that are introduced, sorted according to the three polar types from the six ideal type regimes of the triangular conceptual space.

Table 6.1. Societal phenomena in the three polar type regimes (with the topics of the chapters' parts).

	Liberal democracy	Patronal autocracy	Communist dictatorship
SOCIETAL NETWORKS	open-access order	limited-access order	limited-access order
	the strength of weak ties informal information-carrying ties	the strength of strong ties informal influence-carrying ties	the strength of strong ties formal influence-carrying ties
	separation of communal network from economic and political networks	integration of communal network into economic and political network	separation of communal network from economic and political networks
	free entry and exit from political/economic networks	unfree entry and exit from political/economic networks	unfree entry and exit from political/economic networks
	scale-free social networks (market and voluntary decision)	non scale-free social networks (informal patronalism and coercion)	non scale-free social networks (bureaucratic patronalism and coercion)
	non-patronal class society	informally patronalized clientage society	bureaucratically patronalized class society
REGIME STABILITY	democratic pattern of mass persuasion (ideology in primary, co-optation in secondary role)	patronal pattern of mass persuasion (non-violent threats and ideology in primary, co-optation in secondary role)	communist pattern of mass persuasion (coercion in primary, ideology and co-optation in secondary role)
IDEOLOGY	ideology-driven ruling elite ideology-neutral regime	ideology-applying ruling elite ideology-applying regime	ideology-driven ruling elite ideology-driven regime
	non-teleological rationality	non-teleological rationality	teleological rationality
	value coherence	functionality coherence	value coherence
	no public enemy or stigmatized group	variable public enemy or stigmatized group	stable public enemy or stigmatized group

The chapter starts by analyzing social structures, particularly those which are also ideal typical to certain regime types. Using the terminology of North and his colleagues, we distinguish in Part 6.2 the open and limited-access orders and look at what "playing field" the state creates for the people to form social ties and networks. We explain the patterns of network development in the three polar type regimes, including its reasons and effects on social structure in general and social mobility in particular. In the same part, we introduce the concept of clientage and clientage society (as opposed to class and class society) and provide a novel framework to interpret social stratification, as well as a description of ideal typical social groups under patronal autocracies.

As the description of clientage society ends with an account on social psychology, we engage in the question of why people vote for such regimes, that is, the question of regime stability. Given the main focus of our book is patronal autocracy, we devote separate parts to the two means it applies: creation of a clientage society—described in Part 6.2—and ideology—described in Part 6.4. Between the two, Part 6.3 plays the role of an intermezzo by discussing regime stability and the means of mass political persuasion in the three polar type regimes.

Part 6.4. is divided into two parts. First, it deals with the supply side of the political market. We distinguish political actors by their relationship to ideology, on the basis of which we distinguish various forms of populists and various types of regimes. Also, the supply side deals with the machinery of ideology application in patronal autocracies, particularly the operative use of value-incoherent (but functionality-coherent) sets of ideologies in various state departments and the ideological covers fitting to elite interest and the adopted political family. Second, Part 6.4.2 is devoted to the demand side, that is, the recipients of ideology. We point out the functionality of supporting populism in the West and the East, after which we give a detailed account of the so-called bilateral functionality coherence of "us" and "them" (as discursive identities, in the words of Laclau). A description and explanation of the necessity and use of conspiracy theories among populists is also provided.

Finally, Part 6.5 focuses on modalities of informal governance. This part is a summary in two senses. On the one hand, we summarize the extraordinary research of Alena Ledeneva and Claudia Baez-Camargo on the topic, providing a typology of informal modalities in and beyond the post-communist region. On the other hand, we will build on this typology and match up the certain modalities of informal governance with concepts we have introduced to patronal autocracies in Chapter 4–6, therefore making a (partial) summary of the regime-specific "anatomical" features of patronal autocracy.

6.2. The Level of Social Structures: Networks and Societal Patronalization

6.2.1. Open and Limited-Access Orders: Eliminating the Strength of Weak Ties

6.2.1.1. General definitions and the open-access order of liberal democracy

Our book predominantly analyzes regimes and spends most of its conceptualization efforts on regime-specific phenomena. When it comes to incorporating society into our toolkit, this brings some serious restrictions. Although there are some phenomena in politics and economy as well which are not regime- but country- (or even era-) specific [→ 7.4, *Conclusion*], in the sphere of communal action, most phenomena are like that. How ordinary people live and act in the communal sphere is heavily influenced, if not determined, by the country's own history and culture. Naturally, there are specificities of the post-communist region in this respect, which we mention numerous times throughout this book [→ 1, 3.6, 5.3.6, 7.4]. However, this chapter mainly focuses on regime-specific societal phenomena.

In the three polar type regimes, societies have two general features that are ideal typical. The first one is their specific degree of **separation of spheres of social action**. In liberal democracies, the spheres of market, political and communal action are separated; in a patronal autocracy, they collude; and in a communist dictatorship, there is a merger of the spheres of social action [→ 3.2]. The second feature is **openness of access to resources**. We borrow the concept of openness from North and his colleagues [→ 2.4.6]; it refers to access to valuable political and economic resources (land, labor, and capital) and activities (such as trade, education, or participation in politics) by those outside the ruling elite.[1] As North and his colleagues write, in limited-access orders the ruling elite "limit the ability of individuals [non-elites] to form organizations" by the fact they seize control over the aforementioned resources/activities and restrict access to them to their own members (typically by state coercion). In contrast, in open-access orders "[the] ability to form organizations that the larger society supports is open to everyone who meets a set of minimal and impersonal criteria. Both social orders have public and private organizations, but natural states limit access to those organizations whereas open access societies do not."[2]

Liberal democracies are open-access orders. True, the state imposes various regulations over the use of resources and entry to activities, which means that markets are normatively closed [→ 5.4.2]. But access is not limited to the ruling elite. The impersonal—that is, normative—nature of barriers to entry ensures that anyone can access resources, irrespective of his relation to the ruling elite (which is often even restricted in access, based on conflict of interest regulations). Moreover, modern liberal democracies feature welfare states [→ 2.3.2], the declared goal of which is **equality of opportunity**, a stronger but related term to open access. To ensure open access, the main component a constitutional

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[1] Cf. North, Wallis, and Weingast, *Violence and Social Orders*, 30.

[2] North, Wallis, and Weingast, *Violence and Social Orders*, 2.

state has to feature is the rule of law, that is, equality before and after the law [→ 4.3.5.1]. In addition to this, equality of opportunity also entails various public policy programs that attempt to eliminate the effect of accidental, unchosen or unearned factors from one's performance or rewards (access to resources).[3] Thus, it is not only that the ruling elite of a constitutional state does not enjoy exclusive privileges of access but the state attempts to empower members of the (non-elite) people to have access, too.

In an open-access order, the most important barrier to entry is whether the people themselves want to enter—or rather, whether they know about the existing opportunities. Indeed, **citizens must have information to access**, for they must have knowledge to be able to act purposefully and exploit an accessible opportunity. Information may be gathered from various media, ensured by the open sphere of communication in general and the upheld right to know in particular [→ 4.3.1]. However, information that is not public but that the individual still gets is typically more useful, especially when it regards access to scarce resources. This is the first insight provided by Mark Granovetter in his famous article *The Strength of Weak Ties*.[4] As he explains, the most important source of less-than-public information is one's social ties:

- **Social tie** is a direct connection between members of society carrying information and/or influence.

For the purposes of our framework, we define "society" as the community of people living under the jurisdiction of the same political regime. As for social ties, Granovetter focuses on one of their aspects, namely **tie strength**, which he understands as "a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie."[5] However, such definition would already narrow the concept of tie, and it indeed shows a bias toward liberal democracy of separated spheres (which Granovetter analyzes). First, ties are not necessarily reciprocal—moreover, **they can be coercive as well as voluntary**. Second, ties—as Granovetter pointed out in his later works[6]—can be **sentimental as well as instrumental**, and they can also be **formal as well as informal**. This means that the amount of time and the emotional component of a tie do not necessarily define its strength. Formal ties may involve claims from A to B that are enforceable, making the tie strong by definition regardless of its emotional component. Informal ties are also regarded as strong when they are enforceable (typically coercive), and they do not necessarily require much time to form either.

Synthesizing a vast body of literature, Peter Ping Li further calls attention to how social ties enable people to access resources, an effect typically embraced in the concept of social capital (see Box 6.1). This leads us to the distinction of **information and influence**, which also stems from the work of Granovetter.[7] Both are similar in that they (1) are exercised by one person towards another and (2) may have an effect on the other per-

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[3] Rawls, *A Theory of Justice*.

[4] Granovetter, "The Strength of Weak Ties."

[5] Granovetter, "The Strength of Weak Ties," 1361.

[6] Granovetter, "The Strength of Weak Ties: A Network Theory Revisited."

[7] Granovetter, *Getting a Job*.

son's future actions. However, the crucial difference is that while **information only refers to the knowledge** or data that A can give to B so that he may take it into account, **influence means A can make B take his wishes into account and act accordingly**. This does not necessarily mean coercion, and influence may be enforceable only via horizontal peer pressures in a particularistic personalized process (e.g., subjective, affective, people-oriented and sentimental).[8] However, the point of influence is that it grants to a person something he would not be able to get with simple information. **Exercising influence, one can achieve discretional advantage vis-à-vis a liberal democracy's normative requirements.** To take Granovetter's example, information in a job-search only makes it possible—in an open-access environment—that one can "come to the starting line" alongside other contestants for the same scarce resource. Here, we can see the ideal typical situation of liberal democracies, when citizens, that is, "impersonal categories of individuals […] interact over wide areas of social behavior with no need to be cognizant of the individual identity of their partners. Identity […] becomes defined as a set of impersonal characteristics."[9] Simply put, it does not matter who they personally are or whom they have strong ties to—what matters is their impersonal characteristics, such as their fitness. Influence, however, means one has better chances of access than others in the first place, because he is recognized by his strong ties (such as through family or friendship) to his prospective employer.

This leads us to the separation of the sphere of communal action from the economic and political spheres in ideal type regimes. **In a liberal democracy, the spheres of social action are separated.** Naturally, social ties can be formed between any members of the society, be they situated in any sphere of social action. Moreover, as we explained in Chapter 3, a single individual can take on various social roles (perform various types of social action) that belong to different spheres [→ 3.2]. This already implies that the social network of a person, forming social ties with people whom he interacts through political, economic or communal action, involves actors from more than one sphere. However, using our above-introduced concepts, we can define the separation of social spheres as follows: **When there is a social tie between actors of different spheres, that tie may carry information but not influence.** Indeed, in some cases even carrying information is forbidden, like in cases of insider trading (giving non-public information to

Box 6.1. Social tie and social capital.

"[Based on the literature] *five basic dimensions of formality–informality* can be identified […]: codification; formation; enforcement; power, and personalization. […] By these five criteria, personalized trust, strong social tie, affective commitment […], and intuition are *strong-informal*; […] religion, culture, ethics, and transformational leadership are *weak-informal*; law, state, ownership, hierarchy form […] are *strong-formal*; market and delegation are *weak-formal*. These four categories can be further classified into *stronger and weaker* sub-groups according to their specific contents and relative strengths within each category. […] I refer to *social capital as an informal access to others' resources due to social ties*. […] To measure the total value of social capital, we should combine the two quintessential dimensions of social capital. First, the dimension of content consists of two subdimensions: (1) *access strength* to measure the probability of receiving other's favors at the dyadic level, and (2) *access benefit* to measure the value of favors as 'free rentals' of other's resources at the dyadic level. […] Second, the dimension of structure also consists of two sub-dimensions: (1) *access scope* to measure both the diversity and density of all ties at the ego network level, and (2) *access position* to measure both the centrality and rank of each tie relative to other ties at the ego network level. The two structural subdimensions jointly define the configuration of favor portfolio. Hence, the total value of an ego's social capital is the *summation of multiplicative functions* of access content and access structure."

– Peter Ping Li, "Social Tie, Social Capital, and Social Behavior: Toward an Integrative Model of Informal Exchange," *Asia Pacific Journal of Management* 24, no. 2 (2007): 229–31.

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[8] Li, "Social Tie, Social Capital, and Social Behavior," 229.

[9] North, Wallis, and Weingast, *Violence and Social Orders*, 2.

someone about a company that he utilizes in trading its stocks).[10] Yet even when one can give information, there must be no influence between actors of different spheres. A politician may have strong ties to his (non-politician) son-in-law and talk to him about his future plans in his sphere of social action. What he must not do is acting there by his son-in-law's interests.

Exercising inter-sphere influence implies **conflict of interest** and discrimination, and there are enforced laws to prevent such instances in a liberal democracy. Such laws are among liberal democracy's several guarantial institutions [→ 4.4.1] that prevent the collusion of spheres or at least make its (sporadic) instances appealable at court. Attaching punishments to various instances of collusion, the formal, impersonal set of legal institutions of liberal democracy removes the consideration of inter-sphere strong ties from the options of individual decision. It is not up to the person's discretion to decide whether he will use his strong ties to achieve discretional benefits: it is forbidden for him to do so.

It is only when the boundary conditions of (1) open-access and (2) separation of spheres of social action with enforced guarantees of normativity are in place that weak ties can be strong, to refer to the above-cited paper. Indeed, what he shows in his paper is that, when it is information that decides whether one can access a particular resource (in his case, a job), then weak ties are much more useful than strong ties. For the latter are unlikely to bring him any new information about job titles (what one's family members or close friends have heard about he also has), whereas people to whom he only has weak ties, like distant acquaintances, are likely to know people and information from circles he does not know at all. **If influence entered the picture, information-carrying weak ties would devaluate in the face of influence-carrying strong ties**.[11] Also, if the order was not open-access, information would have no use at all, for knowing about a resource would not automatically mean that one can access it. In short, Granovetter's implicit assumption is that having information is a necessary and sufficient condition for access, or more precisely for participating in the competition for the access to a scarce resource.

What follows from Granovetter's two boundary conditions is the **minimization of inhibitory factors** before people's decisions. Among the six ideal type regimes, it is liberal democracy that provides the widest range of decision options for the people, for neither the ruling elite nor the people themselves are allowed to limit access to resources on a discretional basis. Furthermore, the people in this regime are **the freest to form ties with other people**, be the ties political, economic, or communal in nature. Minimizing political and social limits, liberal democracy allows the people and their preferences to determine to the largest degree with whom they form (strong or weak) ties. In other words, there is **free entry and free exit** from social relationships. Naturally, people may face various (transaction) costs, and there can be formal ties that cannot be terminated at once. But no such condition between individuals is forced on anyone, whereas open access and the separation of spheres of social action guarantee the widest range of available alternatives should one choose exit.

Under the conditions of free entry and exit, **the development of societal networks depends primarily on one's number of existing ties and fitness**, according to the results

[10] For a seminal paper, see Kyle, "Continuous Auctions and Insider Trading."

[11] Bian, "Bringing Strong Ties Back In."

of Albert-László Barabási.[12] In his book *Linked*, Barabási points out that as networks grow, the probability of forming a tie with someone is proportionate to his popularity, that is, number of existing ties. Consequently, older nodes (actors) that have formed the first ties in the network are preferred to newer ones, which have fewer or no ties yet. However, the old nodes do not have an insurmountable advantage due to the second factor—fitness. Barabási explains fitness as "your ability to make friends relative to everybody else in your neighborhood; a company's competence in luring and keeping consumers compared to other companies; an actor's aptitude for being liked and remembered relative to other aspiring actors; a Webpage's ability to bring us back on a daily basis relative to the billions of other pages competing for our attention."[13] Indeed, these examples already presume—although Barabási does not make this explicit—that we are free to choose, and tie-formation is determined primarily by our own preferences and not political or social forces. Basically, by "fitness" Barabási means **market fitness: the ability to meet other people's demand**, wishes and needs.

For one's market fitness is not determined by his number of ties, newcomers into a network have the ability to overtake, to steal the customers, or at least to get close to the "leader" (as in "market leader"). Combining the two factors, these networks "display a fit-get-rich behavior, meaning that **the fittest node will inevitably grow to become the biggest hub. The winner's lead is never significant, however.** The largest hub is closely followed by a smaller one, which acquires almost as many links as the fittest node. […] The winner shares the spotlight with a continuous hierarchy of hubs" (emphasis added).[14] In the language of network science, this produces a so-called scale-free network, and most societal networks follow this kind of pattern.[15]

Yet this pattern can prevail only under the conditions of free tie formation. The people must be free to judge market fitness by their needs and to enter into relationships accordingly (without coercion), and they must also have free exit to be able to leave an older node for a fitter newcomer. **The institutional guarantees of liberal democracy are essential to the development of scale-free networks**, as well as to preserving them and preventing so-called "winner takes all" networks from evolving. Barabási mentions one example for such a network, when Microsoft combined technological innovation with a specific market strategy and became the dominant firm on the market of operating systems.[16] Yet **in an open-access order, the lack of effective competition and overtake is the exception and not the rule**, whereas modern constitutional states have various regulations, such as antitrust laws, to break up winner-takes-all schemes and facilitate the development of scale-free patterns.[17] In short, open-access orders strive to achieve and uphold **plurality**, or a **multi-pyramid system** in every sphere of social action. That institutions prevent conflicts of interest and the dominance of traditional, communal strong-ties [→ 5.3.6] lends exceptional flexibility to the open-access order of liberal democracy.

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[12] For a book summarizing his research in a textbook style, see Barabási, *Network Science*.

[13] Barabási, *Linked*, 95.

[14] Barabási, *Linked*, 103–6.

[15] Barabási, *Linked*, 79–92 and *passim*.

[16] Barabási, *Linked*, 104–6.

[17] On antitrust laws in the US, see Posner, *Antitrust Law*.

6.2.1.2. The limited-access orders of communist dictatorship and patronal autocracy

The exception in an open-access order is the rule in limited-access ones, which strive at **eliminating plurality** in favor of a **single-pyramid system**. Both communist dictatorship and patronal autocracy belong to this category, although they achieve the limitation of access to their ruling elites in different ways. A communist dictatorship restricts access openly: it abolishes political and market competition and replaces them with a totalitarian one-party state [→ 3.7.1.2] and state-controlled central planning [→ 5.6.1], respectively. Thus, the nomenklatura, or the state party that is the "leading force of society," can command both political recruitment [→ 4.3.3] and economic-resource redistribution [→ 5.5.6.2]. In contrast, a patronal autocracy neutralizes formal open access to political resources [→ 4.3], whereas it turns competitive markets into relational markets through the annexing mechanisms of patronalization [→ 5.5.6.3], limiting access to economic resources to the adopted political family.

Such an environment causes a **depreciation of information-carrying weak ties**. Information is no longer a necessary and sufficient condition to compete for resources, for they cannot be reached by anyone outside the ruling elite. Those inside the ruling elite, however, can access it—which creates the **appreciation of influence-carrying strong ties**, particularly the ones making up the ruling elite. Indeed, **both the nomenklatura and the adopted political family are hierarchical strong-tie networks**, featuring a single pyramid of patronal dependency and vassalage from the top to the bottom [→ 2.2.2.2]. In both regimes, one needs not information and ability but a strong tie to and permission from the ruler to access resources. **In a communist dictatorship**, the nomenklatura's strong ties are formal and their influence-carrying potential is openly admitted, given the nomenklatura is in *de jure* (and *de facto*) control of the regime's resources. **If one wants access, he needs to be formally enrolled in the state party**, whereby he forms a formal strong tie to the rulers. In contrast, the strong ties of a **patronal autocracy**'s adopted political family are informal and their influence-carrying potential is partly hidden. **If one wants access, he needs to be informally adopted** into the political family, meaning the chief patron must accept him (or his family [→ 3.6.1.3]) to the network.[18]

Naturally, people **who had already had a good relationship with the chief patron** before he became the regime's leader **have particularly good chances to be adopted**. Ledeneva points out such ties can be weak as well as strong: they can originate (1) from the chief patron's private setting, centered around his individual self, and (2) from the chief patron's public setting, the institutional framework initially not centered around himself but more impersonal.[19] Analyzing post-Soviet Russia, Ledeneva identifies pure types of ties to the chief patron, including strong and weak ties in both aforementioned settings (Table 6.2). In the private setting, strong ties are formed in the chief patron's "inner circle," whom he shares life with (**family and the most trusted**), whereas in the public setting, they are formed with the chief patron's "core contacts," whom he shares career with (**party members, former nomenklaturists**). In contrast, weak ties are formed (a) with "useful friends"

[18] Cf. Lamberova and Sonin, "Economic Transition and the Rise of Alternative Institutions."

[19] Ledeneva, *Can Russia Modernise?*, 52–56.

in the private setting, whom the chief patron shares leisure with (**sports, dacha**) and (b) with "periphery contacts" in the public setting, whom he shares affiliation with (**alumni, associates, co-members** in some institution). However, **adoption means the transformation of initial ties into strong ties of patronalism**. Reciprocal relations become hierarchical; and even if initial (formal) ties continue to exist, they are trumped by the informal ties of belonging to the adopted political family. The point is the chief patron must trust the to-be adopted person, that is, he must be sure that the person will remain loyal to him. In most cases, this is ensured if the person is blackmailable by the chief patron so he can initiate politically selective law enforcement in case of disloyalty [→ 3.6.2.2, 4.3.5.2]. Thus, the result is not a simple "trust network" but a **loyalty network**, a trust network of hierarchic subordination and dependence.[20]

From the point of view of networks, what is important to see is that **the need for enrollment or adoption means (1) the lack of separation of the spheres of social action and (2) the elimination of free entry**. For one must have political connections to have resources, whereas it is no longer the decision of the future entrant *per se* whether he will enter. Unlike liberal democracy, where open access and the formal institutional setting provides a wide range of alternatives from which people are free to choose, in communist dictatorship and patronal autocracy they can only turn to the ruling elite should they want to access resources. Moreover, acceptance into the network is a decision that the ruling elite, the nomenklatura or the chief patron, makes, and they can indeed choose to accept without the accepted actor's consent as well. This is precisely what patronalization means, be it bureaucratic (as in communist dictatorship) or informal patronalization (as in patronal autocracy) and should it apply to any sphere of social action.

Table 6.2. Types of individual and institutional ties to the chief patron. Source: modified from Ledeneva (2013, 55).

<table>
<tr><td>INDIVIDUAL</td><td colspan="2">Strong ties</td><td rowspan="3">Public settings (non-centered)</td></tr>
<tr><td rowspan="3">Private settings (centered)</td><td>1. 'Inner circle:' sharing life (family and the most trusted, private affairs)</td><td>3. 'Core contacts:' sharing career (party founders, former nomenklaturists)</td></tr>
<tr><td>2. 'Useful friends:' sharing leisure (sports, dacha)</td><td>4. 'Mediated, or periphery, contacts:' sharing affiliation (alumni, associates, co-members)</td></tr>
<tr><td colspan="2">Weak ties</td><td>INSTITUTIONAL</td></tr>
</table>

Adoption based on personal ties to the chief patron is in strong contrast with the nomenklatura, where enrollment does not depend on such ties to the members of the politburo. Indeed, it is not without reason that the nomenklatura features individual enrollment and not "family enrollment:" **the nomenklaturist was expected to have bureaucratic loyalty toward the party, not family loyalty toward his personal strong-tie networks**. True, there existed nepotism in the sense that friendship and family ties to a nomenklaturist brought certain informal as well as formally granted privileges. But a general party secretary could

[20] Cf. Tilly, *Trust and Rule*.

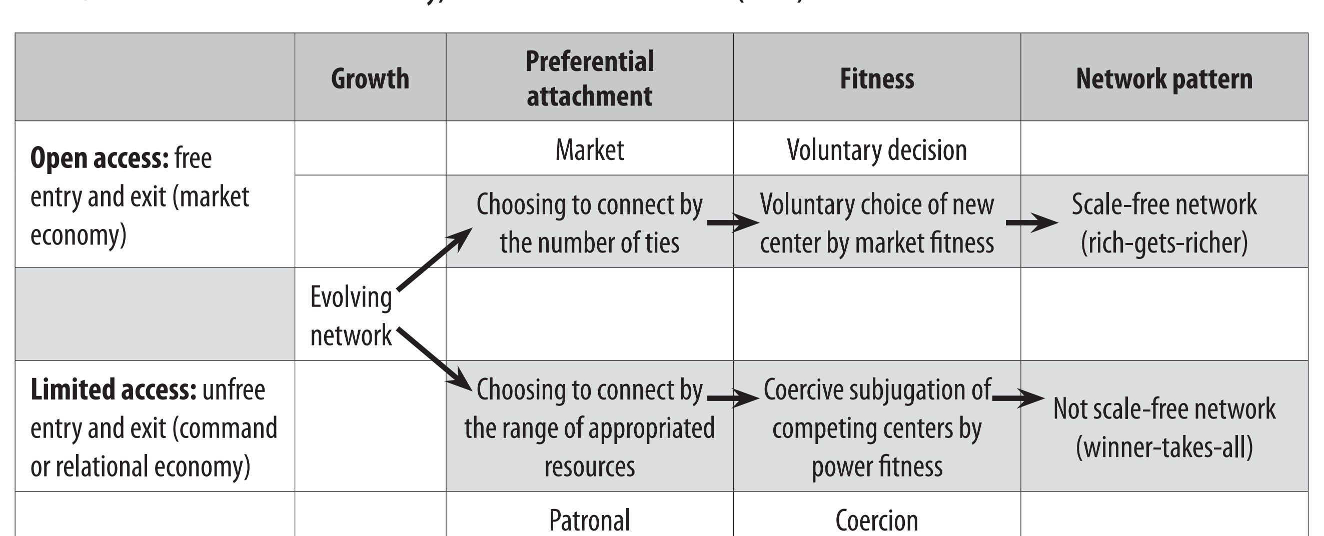
never appoint his family members or friends, that is, people with high roles in his personal network, to the top of state agencies, circumventing the formal ladder of ranks and positions. In patronal autocracies, such appointments are rather common, given it is the informal patronal network that matters and not formal institutional requirements.[21] Simply put, communist dictatorships feature—similar to liberal democracies—a separation of a ruler's communal network from economic and political networks (the nomenklatura), whereas a patronal autocracy features an integration of a ruler's communal network into economic and political networks (the adopted political family).

Table 6.3 shows the difference between liberal and patronal societal-network formation in Barabási's terms. As we explained above, in an open-access environment that allows for free-tie formation, the evolution of networks is driven by popularity of nodes, on the one hand, and market fitness, on the other. In contrast, in limited-access environments of bureaucratic and informal patronal regimes, **preferential attachment is not based on the number of ties but the range of appropriated resources**. This is already the case in patronal democracy, where actors can choose from a number of competing patronal networks. In this landscape, each network can be interpreted as a single node in a polity-level network, which brings together a substantial part of the polity's resources. The crucial difference between patronal democracy and autocracy is that, **in a patronal democracy, a basically scale-free, multi-pyramid pattern develops.** The alteration of networks is ensured by the networks' dynamic equilibrium and their **altering access to political resources** [→ 4.4.2.1]. Practically, that the leading political elite's network is cyclically replaced by an opposition one is analogous to the situation of overtake in a free market, when a newer but fitter node gains new ties instead of an older node. The difference is that, **while centrality in a liberal democracy's network depends on market fitness, in a patronal democracy it depends on power fitness**. The adopted political family that wins the elections becomes the fittest for the given term, but as other networks too have resources and chances of winning the next elections, their importance in the polity-level network is nearly the same as that of the leading adopted political family.

The situation radically differs **in single-pyramid systems**, where instead of voluntary choice of a new center by market fitness (liberal democracy) or power fitness (patronal democracy), it is **coercive subjugation of competing centers** that takes place. Using its overwhelming power fitness, that is, the effective monopoly of political power, the leading political elite breaks the autonomy of (existing or potential) power centers and tries to subjugate them into its hierarchical network of obedience. **In a communist dictatorship, the leading political elite is totalitarian and other elite segments are either incorporated or banned** [→ 3.7.1.2]. **In a patronal autocracy, the leading political elite is an unconstrained, monopolistic patronal one that patronalizes alternative elite groups** [→ 3.7.1.3]. In Barabási's terms, both types of actions lead to a not-scale free, winner-takes-all pattern, where only the ruling elite has substantial power fitness as well as a substantial range of appropriated resources.

[21] Peyrouse, "The Kazakh Neopatrimonial Regime"; Radnitz, "Oil in the Family: Managing Presidential Succession in Azerbaijan."

Table 6.3. Networks growing freely (in open-access / market economy) and under compulsion (in limited access / command or relational economy). Source: based on Barabási (2002).



	Growth	Preferential attachment	Fitness	Network pattern
Open access: free entry and exit (market economy)		Market	Voluntary decision	
		Choosing to connect by the number of ties →	Voluntary choice of new center by market fitness →	Scale-free network (rich-gets-richer)
	Evolving network			
Limited access: unfree entry and exit (command or relational economy)		Choosing to connect by the range of appropriated resources →	Coercive subjugation of competing centers by power fitness →	Not scale-free network (winner-takes-all)
		Patronal	Coercion	

6.2.2. Clientage Society: Inequality and Social Mobility in Patronal Autocracy

6.2.2.1. Cold patronalization and the road to a clientage society

In the post-communist region, the limited-access order of patronal autocracies has been established either by (a) starting from another limited-access order, namely communist dictatorship, or (b) starting from an open-access order, typically patronal democracy. The way of (a) was prevalent in the Islamic historical region, Azerbaijan and Soviet Central Asia, whereas (b) was more typical in the Eastern-Orthodox and Western-Christian historical regions [→ 1.3.1]. **When patronal autocracy came into being as a successor of communist dictatorship, it required changes mainly on the level of elites (the ruling elite) and not the level of non-elites (the people).** The institutional setting was reformed to a formally democratic one but open-access was never granted to the people. Political leadership changed from the nomenklatura to a new adopted political family, getting rid of the old communist party and settling in for the democratic environment as a nomenklatura-based clan [→ 3.6.2.1]. Privatization in the economic sphere that could have guaranteed the emergence of autonomous (patronal) networks happened only to a low degree [→ 5.5.2]. Thus, both political and economic resources remained in the hands of the ruling elite, who could therefore limit access to their members.[22]

On the other hand, in the case of (b) **when transformation happened from an open-access order, changes had to be initiated in the economic as well as the political sphere** to limit access to resources. To start any such change, the adopted political family had to reach a monopoly of political power, *de facto* abolishing the separation of branches

[22] Cf. Melvin, *Uzbekistan*, 29–60.

of power [→ 4.4.3.1]. By this step, the chief patron can dispose over the bloodless means of state coercion, so he can utilize politically selective law enforcement [→ 4.3.5] and custom-tailored lexes [→ 4.3.4.2] and regulations [→ 5.4.2]. These are indispensable tools to limit access to political and economic resources. As for the former, the adopted political family neutralizes the public deliberation process and therefore closes the political market, the entry to which ultimately depends on the discretional decision of the chief patron [→ 4.3]. As for the latter, autonomous oligarchs are deprived of their status and forced to side with the single-pyramid network [→ 3.4.1.3], while discretional regulation and taxation, on the one hand [→ 5.4], and predation, on the other [→ 5.5.3], gives rise to a relational economy. In short, both cases feature **patronalization: political patronalization**, making formal institutions and their related actors part of the mafia state, and **economic patronalization**, neutralizing or subjugating major economic players. **The actors who are not patronalized and still have some resources are not free to use them either**, for the mafia state has a wide amplitude of arbitrariness; that is, **the adopted political family can intervene on relevant instances** [→ 2.4.6]. This puts patronal autocracy in contrast with communist dictatorship, where limited-access order and control over the economy was maintained through the complete nationalization (bureaucratic patronalization) of the means of production. In the case of a patronal autocracy, **the mere possibility of arbitrary takeover and control is enough**, while the tasks of everyday management are left for the *de jure* owners (and their managers) in cases that are more mundane.

The establishment of patronal autocracy's limited-access order brings about patronalization of the third sphere of social action: **societal patronalization**. By this, we do not necessarily mean the elimination of reciprocal exchanges in the sphere of communal action [→ 3.2], rather the patronalization of the whole society and ordinary people in the broader sense. Some cases of societal patronalization involve the direct coercion of actors into the single-pyramid order, especially those in the highest and lowest social strata. However, what is typical is the indirect form that may be called **"cold patronalization."** (More precisely "cold societal patronalization," but we drop "societal" from the expression now for the sake of simplicity.) In the previous chapter, we defined cold nationalization as the nationalization of the environment of an actor, resulting in a situation when he had no other place to turn to but the state if he wanted to do business [→ 5.5.3.3]. Similarly, cold patronalization means that **the social environment of a person is patronalized**. Creating *de facto* limited-access order, the adopted political family eliminates alternative, independent centers of important economic and political resources. The more this is the case, the higher we go in the social hierarchy. Indeed, the more people an institution or actor is tied to, or the more lucrative a resource is, the more likely the adopted political family will take it over [→ 5.5.4.1], and therefore those who want to take these opportunities have no other choice but to choose the adopted political family, which builds up a large portfolio of (maybe formally independent, but informally related) access points. This is what creates in many different parts of society the above-described **"winner-takes-all" scheme: the people do not have a range of options** from which they could choose the fittest or most popular one. They have only one option, the adopted political family, which they must choose should they want to access resources. **The freedom of demand is curtailed by the**

lack of freedom of supply, whereas social networks of freely engaging actors are replaced by monopoly structures.[23]

Societal patronalization directly affects upward **social mobility**, by which we mean the chances of movement from a lower to a higher group in the social hierarchy. For patronalization involves not only the paralysis of the strength of weak ties but that access—especially to the most valuable resources—becomes a function of patronal connection and permission. **The higher one wants to get, the more patronal barriers he encounters**: the more permission he needs to get (from more and more powerful patrons), and the stronger ties he has to form with the adopted political family. That one can actually get through patronal barriers is not obvious at all—otherwise it would not be a limited-access order. More precisely, these barriers do not depend on objective, normative and universal criteria, as in cases of liberal democracy and market economy, but on discretional decision of a patron. Indeed, the point of limited access is that **access is not granted to everyone but turned into a discretional gift**. The patron can grant favor to some and deny it to others. The higher we go in the social hierarchy, the more unfree access becomes, and the more it is true that only the discretionally chosen (adopted) ones are eligible to access while a large number of outsiders are excluded. Furthermore, reaching a certain status within the orbit of the adopted political family means that one also **(1) loses autonomy** with respect to his patron as well as, ultimately, the chief patron, and **(2) loses the option of free exit**. In an open-access order, one is free to exit a relationship, because he has many other options from which the one he abandons cannot exclude him. In other words, the one he abandons has no control over all the other options, especially not discretional control that would allow the exclusion of a certain disfavored person. In a limited-access order, however, exit is unfree because the ruling elite is the only available option. In a patronal autocracy, the adopted political family exercises discretional control, formally or informally, over a wide portfolio of alternatives. True, it may not control all the alternatives, but within the regime, it typically controls most alternatives (1) on the same social level where the exiting one is and (2) on higher social levels. If one tries to exit, then—especially when his action is accompanied by disloyalty [→ 3.6.2.4]—**he risks losing social status, as the adopted political family is in a position to exclude him from access.** This means the patron can coerce his clients by existential threats into obedience, that is, not to exercise autonomy or choose by personal preference [→ 2.2].

Indeed, the only real option of exit a patronal autocracy allows for is **exit from the regime**. While in actual communist dictatorships the borders were closed, in a patronal autocracy, if one does not want to fit in the limited-access order of the adopted political family's territory, he can move to another country. **Escape or "voluntary exile"** opens a door of mobility to people outside the adopted political family, but it also means that one "leaves the game," that is, the society of the given polity. **Escape does not make the structure of society within the chief patron's territory more open, on the contrary**: as

[23] Societal patronalization happens in patronal democracy as well, and the range of choices is indeed limited contrasted to liberal democracy. However, as no patronal network is dominant, people can choose from a range of competing patron-client networks and some actors can even remain autonomous, given the patronal networks cannot patronalize every resource in the society [→ 3.4.1.3, 4.4.2.1].

the more restless, anti-regime elements leave and only those remain who can be more easily controlled, the regime can consolidate and cement the social order more smoothly [→ 4.4.3.2].

The above-described hindrances and restrictions to social mobility lead to a kind of pillarization of society, or more precisely to the emergence of what we call a **clientage society**. "Clientage" means not simply patron-client relationship but a basic type of social group that can be used to analyze a patronal autocracy's social hierarchy. Usually, upon seeing low levels of social mobility one is tempted to use historical analogies of "castes" and feudal "orders," or to speak about, using the mainstream language of sociology, a frozen "class" structure. However, we argue the term "clientage" not only avoids misunderstanding that stems from these terms' implicit presumptions, but it also allows for a more straightforward analysis of patronalized social groups and their behavior in the regime.

Table 6.4 summarizes the main features of the aforementioned concepts. Starting with the term **"caste,"** it refers to a **formalized** social unit, typically legitimized by religion and characterized by hereditary transmission of a style of life (often occupation) as well as customary social interaction and exclusion based on the **openly used notions of "purity" and "pollution."**[24] The chances of social mobility are very low in a caste system, but the hard constraints between levels of the social hierarchy stem from law and custom (religion), not the arbitrary decision of a member of a higher caste. As Louis Dumont points out in his seminal work on the Indian caste-system, "castes separate themselves from one another" by forbidding exogamy as well as "contact and commensality between persons belonging to different groups."[25] Under such conditions, no individual can force out changes in the status of himself or anyone else. **One cannot be deprived of his caste status**, nor be adopted into a higher caste on the basis of loyalty and discretional decision.

Table 6.4. Types of social groups in various social orders.

	Type of social order	Formality of position	Chances of upward mobility	Deprivability of status
Caste	limited-access	formalized	low	no
Order	limited-access	formalized	moderate	no
Class	open-access	non-formalized	moderate/high	no
Clientage	limited-access	non-formalized	low/moderate	yes

Similarly, **feudal orders** (or "estates") featured legally defined elite privileges.[26] Chances of social mobility were moderate, even if not as low as in a caste-system,[27] but belonging to an order meant that the related rewards are guaranteed and do not depend on the lord's whim. As Weber reminds, "feudal relationships can be contrasted with the wide realm of discretion and the related instability of power positions under pure patrimonialism. [The] large patrimonial estate [is replaced with] the […] contractual allegiance of the feudatory

[24] Dumont, *Homo Hierarchicus*.

[25] Dumont, *Homo Hierarchicus,* 109.

[26] North, Wallis, and Weingast, *Violence and Social Orders*, 49–51.

[27] Herlihy, "Three Patterns of Social Mobility in Medieval History."

relationship in the age of knightly militarism. The personal duty of fealty has here been isolated from household loyalties, and on its basis a cosmos of rights and duties has come into being […]. [The] feudal allegiance between lord and vassal must also be interpreted as a routinization of a charismatic relationship."[28] Furthermore, **a monarch could deprive someone of his wealth and freedom,** sometimes discretionally and on the basis of disloyalty (high treason), **but he could not deprive him of status** [→ 3.6.1.2]. True, status could sometimes be gained by the monarch's decision, like when he decided to give lordship title to someone, but this required a formal procedure of accession into a formalized social group. In this type of historic limited-access order, the *de jure* status and *de facto* rights and obligations of social groups like the nobles, the clergy, and the serfs coincided. Members of orders had more-or-less homogeneous rights and obligations, as well as horizontal connections within their order.

We have already dealt with the term **"class"** with respect to the adopted political family, explaining why that cannot be regarded as a ruling class [→ 3.6.1.1]. In view of the discussion above, the term "class" can also be regarded as **misleading when it comes to describing a patronal society**. In modern open-access orders like liberal democracy,[29] "classes" are **non-formalized groups that come into being not by law but as a result of the impersonal, dynamic forces of capitalism**.[30] The chances of inter-class upward mobility range from moderate to high, depending on the level of economic development and the concrete social policies that are implemented. Yet, as we mentioned above, modern liberal democracies feature welfare states and equality of opportunity is a prime concern of policy makers, who help access to be as open as possible [→ 2.6]. Consequently, there is a higher chance of upward social mobility than in limited-access orders, where one's mobility is constantly hindered by various (formal as well as informal) boundaries.

In an open-access order, **one cannot be deprived of his class status** on a discretional basis. As the institutional setting prevents the development of monopolistic structures over various resources, people typically have several opportunities to turn to in case they are excluded from their current access (fired from their job etc.). The **social safety net** of welfare states provides a set of normative, universal or means-tested benefits, aiming at making the existential consequences of tie-losses less severe.[31] In short, the aim of an open-access order is to **prevent the prospect of losing a tie from becoming an existential threat**. Achieving this universally in the ideal-type open-access order, no one can lose his class status by the discretional decision of his income-provider, his employer or the state. Thus, **members of classes can retain their autonomy**.[32]

[28] Weber, *Economy and Society*, 1070.

[29] We narrow our critique to modern classes in democracies because we want to explain why the class analysis applied to those modern cases is not applicable to patronal regime.

[30] Wright, "Understanding Class."

[31] Esping-Andersen, *The Three Worlds of Welfare Capitalism*. Cf. North, Wallis, and Weingast, *Violence and Social Orders*, 122–25.

[32] Some authors interpret democracy as a "class compromise" where the class struggle is channeled into peaceful negotiations within the framework of normative formal institutions. See Korpi, *The Democratic Class Struggle*; Streeck, *Buying Time*.

Social groups become **clientages** in a patronal autocracy, where limited-access is *de facto* created but social stratification is left *de jure* unchanged. "Clientage" may be defined as follows:

- **Clientage** is a social group that is dependent on the resources granted by the ruling elite. As a result, members of clientages are subject to coercion from the ruling elite, who can make existential threats of withdrawing the resources the clientage is dependent on. The more dependent the clientage is, the more the autonomy of its members is limited vis-à-vis the ruling elite on a discretional basis.

Clientages are **non-formalized**, just like classes, but they do not have class-like autonomy and they are not defined by their relation to productive property *per se*. Rather, **it is their relation to the ruling elite what defines them**, particularly their dependence on the adopted political family's resources. The boundaries of a clientage can be drawn by how dependence is created and maintained: whether it is done through jobs (perhaps in different ways in different sectors), through the vulnerability of entrepreneurial activity, through discretional state benefits etc. As we explained above, the adopted political family can deny access to these resources in a discretional manner while also leaving a person no further alternatives. Thus, the adopted political family can make credible existential threats, and **clientage status is deprivable**. This is the crucial difference between a clientage and the three above-described social groups. In this limited-access order, **people are made dependent** on all the great many resource-access points that the adopted political family disposes over, through which the regime can ensure obedience and increase the risk (cost) of political resistance. For example, in Russia access to ca. 50% of jobs is controlled by Putin's adopted political family, whereas other job-providers are under the constant threat of predation in case they do not act in a way the adopted political family expects (see Box 6.2). In the language of social ties, the key aspect of clientage is that **forming a new tie may damage old ties** as well as the potential to create further ties. That is, **a client may preserve his positive relation to the patron if he does not form relations with the patron's enemies**, or more generally with people the patron does not want to benefit.

Some of the phenomena typical to a clientage society have been approached by the literature on clientelism. Susan Stokes defines political clientelism as "the proffering of material goods in return for electoral support, where the criterion of distribution that the patron uses is simply: did you (will you) support me?"[33] As subtypes of clientelism, Stokes mentions (1) vote buying, defined as "exchange of goods (benefits, protections) for one's own vote," and (2) patronage, which she defines as "the proffering of public resources (most typically, public employment) by office holders in return for electoral support."[34] While the literature on clientelism in limited-access orders offers insight into the workings of clientage society,[35] clientelism is a phenomenon both broader and narrower than

[33] Stokes, "Political Clientelism," 649.

[34] Stokes, "Political Clientelism," 650.

[35] For example, see Magaloni, *Voting for Autocracy*. Yet, as Klíma rightly points out, it is "irrelevant to link [...] post-communist [informal networks] primarily with the electoral arena or the buying of votes. The electoral component, namely electoralism as a party strategy suggesting the distribution of state resources

clientage society. On the one hand, it is broader, because vote buying and patronage appear in open-access orders as well,[36] where they are single, occasional acts of a separated political sphere to purchase support from actors in other, otherwise separated spheres of social action. Then, clientelism neither implies permanent patronal dependence nor affects the voters' autonomy, that is, free entry and exit. Offers of clientelism in open-access orders does not involve patronalization and the reduction of the voter's other opportunities of access to resources, independent from the ruling elite, and therefore clientelism does not necessarily involve opportunities of coercion and non-violent threats. On the other hand, clientelism is a narrower term because it focuses solely on the act of granting (or not granting) material support in exchange for (denying) electoral support. While electoral support is an important consequence of clientage, it is just a consequence—and not even the only one. Speaking about "clientages," we can refer to the permanent dependent status of the people and thus analyze (a) the variety of techniques of societal patronalization required to create a clientage and (b) a whole host of social psychological consequences related to the broader notion of regime stability.

Clientage societies can be divided into two types of groups: (1) the clientages, which are defined by how dependence is created and maintained; and (2) the **non-clientages**, which are **defined by how dependence is avoided**. Such groups may exist for three reasons:

- their members are entitled to **normative state benefits**, guaranteeing an existence that the state cannot revoke discretionally, person-by-person (pensioners, students etc.);
- they are members of the **bourgeoisie**, meaning they have enterprising skills, export-oriented companies and/or already accumulated capital in markets the adopted political family has not annexed;
- their members can offer such low benefits or mean so little political risk if left alone that the adopted political family sees them **irrelevant**.

Box 6.2. Creating clientage via limited-access in Russia.

"Access to jobs [. . .] reflects the income levels of Russian citizens. The rate of government-supported jobs in the Russian economy was estimated at around 24.5% in 2013, while in 2014 some estimates put this figure at over 30%. According to a World Bank 2013 report, during 2008–2010 [. . .] Russia had an above average rate of employment in public administration, defense, and education. Moreover, these jobs offered salaries at levels which were frequently competitive in comparison to other sectors of the economy. However, [the] Russian government has also control over many private companies, especially those with the highest capitalization on the market: mining industry, energy, transportation, communications, finance, and so forth. This allows the government to be able to control access to jobs in the private sector. By 2006, the Russian government controlled around 30% of Russian private companies' capital [. . .], [and it is] highly likely that over 50% of jobs in the Russian economy are dependent directly on the Russian government. Moreover, [. . .] private business in Russia is highly vulnerable to governmental pressure (sanitary inspections, accusations of tax evasion, licensing, access to credits, and so on) [. . .]. In fact, through this dependency, the Russian government has created a de facto patron-client relationship with a segment of the country's middle class. [The ruling elite] has managed to 'domesticate' the citizens that are wage-dependent on the government."

– Dumitru Minzarari, "Disarming Public Protests in Russia: Transforming Public Goods into Private Goods," in *Stubborn Structures: Reconceptualizing Post-Communist Regimes*, ed. Bálint Magyar (Budapest–New York: CEU Press, 2019), 400–401.

in favour of an electoral and political clientele, is not incorporated as a key trait of post-communist [informal networks]." Klíma, *Informal Politics in Post-Communist Europe*, 19.

36 Kitschelt, *Patrons, Clients and Policies*.

Non-clientage groups can have some autonomy vis-à-vis the adopted political family, however their social weight depends on whether patronal autocracy was preceded by a period of relatively free private-wealth accumulation. If limited-access order was formed from an open-access one, non-clientage groups had better chances to develop than if it was formed directly from communist dictatorship.[37] However, even in such cases the mafia state can (1) narrow the number and ratio of these groups by various measures, including economic and cold societal patronalization of the bourgeoisie and entrepreneurs, and (2) apply clientelism in the form of budgetary intervention, giving—beyond normative and automatic increases in benefits—occasional gifts as well in an attempt to win their electoral support [→ 5.4.3.3].

Analyzing a patronal autocracy's society by clientages instead of classes or castes has numerous advantages. First, it allows for the targeted analysis of the social dynamics and motivations of groups that are homogenous in terms of their dependency relations. As large numbers of people are placed into clientages, a substantial part of society becomes analyzable without the misleading presumptions of preexisting terminology. Second, social affairs become analyzeable with respect to the political-economic system, that is, the regime as a whole. Speaking about clientages in general and societal patronalization in particular, one makes a connection between the processes described in the previous chapters with respect to politics and the economy and the lives of ordinary people and the society as a whole. This connection means the terminology of clientage soceity fits into a coherent conceptual framework that allows for the holistic and interdisciplinary analysis of post-communist regimes that narrow down and gain control over the channels of social mobility.

Finally, the notion of clientage means sociological analysis can be put on new grounds with respect to other aspects of society, too. Let us take two of the most important examples. First, the concept of **clientage society calls for a new approach to inequalities**. Focusing on inequality problems **in the West**, contemporary sociologists and economists speak about **market inequalities**, that is, wealth and income difference stemming from the mechanisms of capitalism and the market economy.[38] Some authors see rent-seeking as a primary source of inequality,[39] and the distorting mechanism of lobbying [→ 5.6.1.3] has also been noted as tilting the economy in favor of the rich.[40] However, in a clientage society it is neither the voluntary decisions of market participants nor the cooperation of separated political and economic elites that causes and conserves inequalities. Indeed, competitive markets are not simply distorted but annexed by the various mechanisms of patronalization [→ 5.6.1.3], and inequality between clientages also stems from (1) their position in the single-pyramid patronal hierarchy and (2) the discretional decisions of the chief patron. On the one hand, access to resources is limited to some people whom various forms of discretional state spending (such as corruption-certain public procurements [→ 5.3.3.3]) are focused on. They arrive at the top layers of the social hierarchy, although their property has a conditional character as they acquired their position by the whim of

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[37] Fabry argues that, in Hungary, policy mistakes in the period of open-access order undermined social mobility and therefore no strong bourgeoisie could develop. Fabry, *The Political Economy of Hungary*. Also, see Radnitz, "The Color of Money."

[38] For two seminal works, see Piketty, *Capital in the Twenty-First Century*; Atkinson, *Inequality*.

[39] Szelényi and Mihályi, *Rent-Seekers, Profits, Wages and Inequality*.

[40] Stiglitz, *The Price of Inequality*.

the chief patron, who can also "dismiss" them by taking away their property—hence the Russian joke, "in Russia, there are no billionaires, only people working as billionaires."[41] On the other hand, prosperous members of the bourgeoisie who are not involved in this system of power&ownership [→ 5.5.3.5] are targeted with elitist modes of budgetary spending. They are one of the above-mentioned non-clientage groups that are among the winners of social policy, contributing to the growth of the gap between rich and poor.[42] This short analysis of **patronal inequalities**, which follow the logic of patronalism rather than the logic of the free market, already indicates how a new analytical language, embedded in the broader framework of our framework, can provide a fertile ground for researching social differences in post-communist societies.

Second, **clientage society calls for a new approach to the status of employees**. As we mentioned above, employees are among those who are deprived of their autonomy, as they are made dependent on the resource-access points that the adopted political family disposes over. One of the important ingredients to weaken the status of the employees and also to make their precarious position obvious for them *en masse* is to erode the formal institutions that protect them, including labor rights and trade unions. Some authors on the left interpret this as **"deregulation"** that fits into "the program of neoliberalism."[43] However, taking into account the broader context of clientage society reveals why **the framework of neoliberalism is misleading when it comes to analyzing social relations in patronal autocracy**. This may be seen on both the level of the employees and employers. On the level of the employees, neoliberalism does propose to curtail labor rights and shift from higher levels of collective bargaining to lower ones, closer to the firm or workplace.[44] As a result, the employee's vulnerability increases vis-à-vis the employer. However, neoliberal reforms do not entail the creation of a limited-access order, nor that the employer is in a patron-client status to the adopted political family. On the contrary, neoliberalism proposes market economy, individualism and impersonal reforms, whereas it does not institute, in place of protective labor rights, personal strong ties to a dominant patronal network. **Neoliberalism atomizes—patronalism vassalizes.** On the level of the employers, neoliberal labor reforms "serve to expand employer discretion," that is, to empower employers vis-à-vis employees.[45] In contrast, **a patronal autocracy depowers both employers and employees**, forcing them into a clientage status through patronalization. While in the neoliberal ideal the *de jure* empowerment of employers results in the extension of their *de facto* powers as well, the two are detached in a clientage society. *De facto*, the employer is either (a) a member of the adopted political family—like an oligarch or front man—in which case he can exercise his *de jure* ownership rights only partially (the chief patron centralizing some of the endogenous rights *de facto* [→ 5.5.3.4]), or (b) an outsider—like a small or medium-sized entrepreneur with low stalking value [→ 5.5.4.1]—whose property nonetheless remains conditional. That is, the chief patron can decide to attack any property-owner in case someone is fired

41 Markus, "The Atlas That Has Not Shrugged," 103.

42 Krémer, "The Social Policy of the Mafia State and Its Impact on Social Structure."

43 Pásztóy, "A munka neoliberális világa egy illiberális demokráciában" [Neoliberal working life in an illiberal democracy]; Charman, "Kazakhstan: A State-Led Liberalized Market Economy?"

44 Baccaro and Howell, "A Common Neoliberal Trajectory."

45 Baccaro and Howell, "A Common Neoliberal Trajectory," 523–28.

or employed in spite of his expectations. Indeed, **it is the chief patron, not the employer, who has maximum amplitude of arbitrariness** [→ 2.4.6], as "employer discretion" that is *de jure* widened is also expected to be used for political bias, not for the employer's individual (profit) motives. True, with respect to working conditions, an oligarch might enjoy more rights vis-à-vis their employees, but he still remains a sub-patron in the single-pyramid patronal network, with limited autonomy and property rights.[46] In the end, **it is not the employer who limits his employees' autonomy, but the chief patron who limits the autonomy of both**. Breaking autonomy in the context of clientage society does not fit the neoliberal program that may be implemented by a conservative autocracy (like Pinochet's Chile with the restrictive "Plan Laboral")[47] but the patronalization program that is implemented by a patronal autocracy.

To sum up, in place of social configurations that reflect class structure—with autonomous legal standings and advances through market mechanisms—patron-client relationships ordered into chains of command take over the complete vertical plane of clientage society. The adopted political family is a formation for domination that is organized around the chief patron in a monocentric, hierarchic fashion through strong ties. **There is no free entry to the patronal network, only adoption, being given access, or forced surrender; and no free exit either, only exclusion.** The open-access order of liberal democracy that operates on the basis of multitudes of weak ties in the sanctuary of institutional guarantees is replaced, as the institutional guarantees fall through, by a world that is based on many fewer strong ties. **Impersonal, normative and legal relationships are replaced by discretional, patronal relationships.** In a communist dictatorship, the subordination is open, total and ultimately based on direct physical force, while the subordination takes place in a legally more-or-less homogeneous class setup. In a patronal autocracy, however, the patron-client relationships have to be realized with great variety of form within the props of the institutional system that formally shows the characteristics of the rule of law [→ 4.3.5]. The process of subordination is carried out in different social groups with the application of different techniques, meaning no sterile, institutional subordination, rather in essence a structured integration into a network of personal dependence and loyalty.

6.2.2.2. Middle clientages in the political and economic sphere: "service gentry" and "court purveyors"

Speaking about the stratification of a clientage society, **we should not use the terms "middle class" and "lower class" but rather middle and lower layers of clientages and non-clientages**. These groups typically cross class lines and represent a variety of vassal chains, or the lack thereof, on various levels of the social pyramid. In general, creating

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[46] In some patronal autocracies, big foreign capitalists can achieve a non-clientage status, typically when the country is FDI-dependent. We return to this country-specific phenomenon in Chapter 7 [→ 7.4.5]. At this point, it suffices to note that (occasionally strong) foreign capitalists and domestic oligarchs and stooges must be treated separately. For the former form a business group, while the latter are subordinated in an informal patronal network [→ 5.4.2.3].

[47] Buchanan, "Preauthoritarian Institutions and Postauthoritarian Outcomes." Indeed, Chile was close to conservative autocracy only in terms of non-patronal economy under single-pyramid power network, while it also was a military junta [→ *Conclusion*].

a clientage society means the elimination of opportunities of autonomous existence and replacing them with dependence on the regime. The concrete techniques of direct and cold societal patronalization tend to vary from clientage to clientage, and each mafia state can develop its own arsenal of patronal policies to achieve institutional, financial, and personal dependence of the given society it faces [→ 7.4.7.1]. Therefore, the variety of clientages is ultimately country-specific and there is no use in developing a full typology of clientages now existing in the post-communist region. However, some types emerge under every mafia state ideal typically, following the general nature of patronal autocracies.

Starting from the middle of the social pyramid, it is **middle clientages** that are denoted by such euphemistic populist terms as "the national middle class." This term does not refer to a community of autonomous citizens better endowed with intellectual or material assets. On the contrary, it refers to clientages, fortified with privileges and organized into a patronal order that allows entry or ejects its members on the terms of the adopted political family. The backbone of this layer is composed of **two clientages in the sociological status of "service gentry" and "court purveyors," without the accompanying legal status**. Indeed, such social groups existed as formalized orders under feudalism, whereas in a patronal autocracy they do not exist *de jure* but only *de facto*, that is, by virtue of the sociological role they fulfill.[48] **The service gentry involves professional intellectuals**, employed in state as well as private institutions, whereas **court purveyors are the subcontractors or direct subordinates of the adopted political family's economic units**, *de jure* private companies and state holdings. The transformation of the institutional system is molded to these two clientages, providing the tools required for the operation of the autocratic system of rule. The "national middle class" is in reality a level of subordinated vassalage with restricted freedoms in the spheres of political and market action.

Starting with the service gentry, its establishment may be divided into three steps:

1. To begin reclassifying the professional intellectuals in public service into the ranks of the service gentry, first a **comprehensive political cleansing** is carried out, often accompanied by campaigns of stigmatization and criminalization. This is true both when the establishment of limited-access order involves the replacement of a formerly democratic public service (like in Hungary)[49] and when it means the transformation of a former communist apparatus (like in Central Asia).[50] The serial institutional mergers and liquidations that naturally also involve significant cuts in public resources only make the mass layoffs easier to justify. For example, in the case of those working in large public systems such as education and healthcare, the political cleansing reaching down to the lowest levels is typically carried out with the introduction of such layoffs, as well as reorganizations.

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[48] While we typically do not use analogies and create new categories instead, we felt that feudal terminology in this case can be appropriate if used with enough caution (that is, keeping in mind (1) the difference of informality and (2) that feudalism is not an encompassing framework to describe the regime). Indeed, we used feudal analogy once before: in the case of the "patron's court" [→ 3.3.2].

[49] Lakner, "Links in the Chain," 154–57.

[50] Sievers, "Academy Science in Central Asia 1922–1998."

Political cleansing that precedes the consolidation of a service gentry is essentially different from the waves of replacements that take place after changes of government in liberal democracies: first, because of their simply massive numbers; second, the measure in which the matter of loyalty relegates professionalism to the background; third, the martial discipline required to conform; and fourth, in the way that all positions that can be tied to the state are closed to those who are ejected, further boosting discipline within the ranks. In the latter case, being registered on a (real or virtual) blacklist means a political stigmatization that results in a ban from the whole sphere of public service. This type of prohibition on employment is familiar from the times under the communist regime, although there these bans were communicated through the channels of the party and the secret service;

2. The second step is to **force the actors to join formal chambers and political-ideological backup institutions (think tanks)** controlled by the leading political elite. Naturally, this step is not necessary in the case of intellectuals working in state administration, where loyalty is imposed upon patronal servants [→ 3.3.5] through elastic rules of "professional conduct" that can be interpreted discretionally, in any way whatsoever, as well as the centralization of decisions about advancement, prohibition on public statements, and bans that will accompany those removed throughout their careers and hinder their future employment. On the other hand, people like teachers in the service gentry enjoy certain advantages formally assured to them—particularly to fill the state positions as opposed to those who are excluded from them—but they do not enjoy the freedoms that would belong to their professional chamber in a non-clientage society. In the case of some of the white-collar workers forced into various professional chambers by duress of the enforcement authorities, we can find similar patterns, as the situation of vassalage only partly results in rights typically corresponding to such formal status. This is what makes the otherwise often illuminating use of feudal metaphors only conditionally apt. In the patronal chambers and backup institutions, **the amplitude of arbitrariness** [→ 2.4.6] **in allocating funds and employment is considerable**, which turn these institutions into loyalty-warranting state organizations as well as transmission belts [→ 4.3.2.3]. In place of the quality-ensuring function of autonomous chambers of liberal democracies, the function of blackmail is established.[51]

Beyond the direct disciplinary and indirect signaling effect of arbitrary allocation, constant ministerial control of the flow of resources is typically instituted. To give an example, the fate of post-communist academies of sciences is illustrative: in the Islamic historical region, already in the 1990s the Kazakh Academy was folded into the Ministry of Science, and the Turkmen Academy faced massive reductions and reorganization[52] (the institution's public funding ended in 2019);[53] in the Eastern Orthodox region, Russian academics and researchers were separated and the researchers were classified under a ministry, supervising the fixed-term grants which

[51] Lakner, "Links in the Chain," 157–59.

[52] Sievers, "Academy Science in Central Asia 1922–1998," 272.

[53] "Turkmenistan to Cut State Funding for Science."

research is financed from; in the Western Christian region, the Hungarian mafia state practically followed the Russian example and replaced the research network from the Academy of Sciences under the supervision of Ministry of Innovation and Technology, calling for more "practical" as well as "national" topics to be researched;[54]

3. The third step is the **extension of direct oversight to the processes of recruitment**. The educating of the "new national" political and administrative elite is a prime target of patronal policies, aiming at creating various forms of dependence mentioned above. The establishment of the Russian Presidential Academy of National Economy and Public Administration in 2010 with the merger of 14 national and regional civil service academies is a good example,[55] just as the National University of Public Service was established in Hungary by merging the faculty of public administration taken from Corvinus University of Budapest, the Police College, and the Zrínyi Miklós National Defence University.[56] This is intended to be the place of training for all members of the single unified order of service gentry, be it for various levels of public administration, the secret services, the police, or the army, each ready for assignment as a link within the patronal chain of command.

The other pillar of the middle layer is the clientage of **court purveyors**. In patronal autocracies like Russia that rely more on formal state institutions, the establishment of **state-owned holdings** fulfill a similar function to the above-described chambers, providing a way of subordinating myriads of smaller economic actors without taking over the burden of everyday management. However, cold societal patronalization takes place as the mafia state annexes an increasingly large segment of capitalist markets into a relational economy under the adopted political family's command [→ 5.5–6], and the clientage of court purveyors expands accordingly. As independent sources of economic resources are eliminated, **the replacement of the system of competitive procurements based on normative rules by politically motivated discretional decisions** undermines a significant segment of the independent corporate positions. For example, raising the public procurement thresholds by multiples of the original value can make mass exemption from public procurement obligations possible, whereas in the case of large investments, the constant citation of the project being of "special interest" in terms of national-security or for national-economy opens the gate to individual exemptions on a mass scale. Discretional decisions with regard to the use of public funds can be eased by further relaxation of laws regarding conflicts of interest.[57] The abundance of arbitrary exclusion of lower-cost bids from public pro-

[54] Kolozsi and Bolcsó, "Hungarian Academy of Science Caves in to Government Pressure, Lets Go of Research Network."

[55] Forrat, "The Political Economy of Russian Higher Education."

[56] Lakner, "Links in the Chain," 162.

[57] The case of Hungary is an example. As investigative journalists write on the basis of 2015 Budget Act, "though the data regarding the winning bids and their implementation will remain public, those regarding the unsuccessful applications will not. In fact they must be deleted after the evaluation process has ended (virtually excluding the possibility of revealing abuses in retrospect, observe a similar solution in the case of the national tobacco shop licenses and agricultural land swindles), nor will data regarding the identity of the decision-makers have to be made public." "Januártól könnyebb lesz lopni [From January, it will be easier to steal]."

curements and constraints on the possibility to appeal the decisions spur on the formal process. As a result, businesses either "voluntarily" stay far afield of the market of public procurements, or look for a patron embedded in the political family, so they can become subcontractors—that is, court purveyors.

On the other hand, the creation of formally private megacorporations provide a way to form tributary supplier chains of subcontractors. In theory, megacorporations could employ different subcontractors on a competitive basis in case of every won procurement. In practice, when formally one megacorporation wins a procurement, it uses its established network of court purveyors, who become dependent on the megacorporation's (or, more broadly, the adopted political family's) monopsony. To an outsider economic analyst, the rate of profits can be telling: average or below-average profits indicate dependent court purveyors, whereas (way) above-average profit rates indicate the subcontractor in question is, indeed, an economic front man with the function of funneling money out [→ 3.4.3, 5.5.4.3].

This is how as many economic actors as possible are drawn into state control and the chain of command under the clientage of court purveyors. This is not ordinary day-to-day corruption, which would and could not seek to oversee all resources exclusively. The logic of the mafia state is different: just as the organized underworld would not allow a rival to take protection money on its territory, the organized upperworld is also interested in eliminating the possibility of independent and especially critical businesses or institutions. For this reason, the adopted political family creates a limited-access order, whereby the resources overseen by or under the influence of the ruling elite feature no real competition and no sector neutrality. On the contrary, even the legal framework and conditions for the practice of relational market-redistribution are established [→ 5.6.1]. This is an important stipulation in order to condition the business actors appropriately, and to compel them to accept the new rules. Neglect for the rules of the mafia state results not only in exclusion and ruling out access to resources, but may also force naïve businesses into expenses that cannot be recovered.

6.2.2.3. Upper and lower clientages: transforming market rewards and transfers into discretional gifts

Beyond the middle layer, the upper layer of clientage is also ideal typical. **On the top of the social hierarchy** of an ideal type patronal autocracy, **we can see a pure clientage society**, with practically every actor being part of the single-pyramid patronal network. This is symptomatically reflected in the list of "most influential people," published annually in several post-communist countries.[58] The lists of influential people prepared in pluralistic societies grounded in the separation of powers will not include people in hierarchical relationship of superiority and inferiority with each other, but autonomous individuals in no relationship of dependence (from politicians to businessmen, media personalities to university professors). By contrast, a decisive majority of those who make it to the list in patronal autocracies can thank the chief patron's beneficence for their influential positions.

[58] For examples, see Rapoza, "Russia's Top 10 Most Influential"; Szakonyi, "Befolyás-barométer"; "Топ-100 Самых Влиятельных Людей Украины [Top 100 Most Influential People of Ukraine]."

If his favor was withdrawn, these people would be of no interest.[59] However subjective the assembly of such a list may be, it reflects on the actual chain of command and the non-scale free nature of the single-pyramid network. It depicts the same form of patron-client networks at the peak of society, as those that are typical of the lower levels of social hierarchy.

The upper clientages involve, on the one hand, the **high-income members of the public administration**. Referring to them, journalist Anna Politkovskaya spoke about a "loyal bureaucratic oligarchy," the creation of which was a "trademark of Putin's administration."[60] This leads us to a more general group that forms an upper clientage, namely the adopted political family's **oligarchs** who are dependent on the regime and particularly the chief patron. They are, either directly or indirectly through their family members and front men [→ 3.4.3], virtually the exclusive beneficiaries of (1) any purchases and investments related to the state, secured from internal as well as external resources [→ 7.4.6] and discretionally allocated by the chief patron, and (2) discretional regulatory intervention by which the state can prefer them [→ 5.4]. This is in part why parallels drawn with various forms of the communist dictatorships are wrong: firstly because the state did not assist in the creation of private fortunes then; and secondly, the nomenklatura was not typified by the predominance of family relations. As we explained above, the mafia state extends through kinship and quasi-kinship (strong) ties, adopting and/or subordinating oligarchs into the single-pyramid patronal network [→ 3.4.1.3].

The basic aim of the mafia state is not merely to eliminate positions of autonomy on an institutional level, but to do the same directly with personal positions of autonomy in the spheres of political, economic and social life, and to transform them into patronal dependence. While not ideal typical, it is worth mentioning that in some patronal autocracies, the installation of patron-client relationships extends to **the bottom of the social pyramid** as well.[61] The best and most telling example of lower clientage is **public workers** in Hungary. An earlier institution heavily reformed by the Orbán government, public work is a central employment relief program adapted to the needs of political communication and financed in an unpredictable fashion (for example, it employed nearly twice as many people in the month of the parliamentary elections in 2014 as in the month following it).[62] Those who are employed in this program are not only exposed to the temporary, *ad hoc* nature of this work, along with the fact that they work for half the minimum wage,[63] but they are also burdened by their employment and dismissal being a discretional decision of the local mayor, that cannot be legally questioned. Indeed, this is a **centrally institutionalized form of servitude**, in which the rights of those employed do not even come up to the rights that were assured the domestic servants with employment books between the two world wars.[64] No wonder they have no choice but to endure assisting at government party rallies as bio-decorations, or participate as counter-demonstrators at anti-government protests,

[59] Bozóki, "A Párttól a Családig [From the Party to the Family]."

[60] Politkovskaya, *A Russian Diary*, 283.

[61] Lakner, "Links in the Chain," 172–75.

[62] "Votes of the Poor: Public Works and the Perils of Clean Elections."

[63] Albert, "Public Works in Hungary: An Efficient Labour Market Tool?"

[64] Cf. Császár, "A cselédség jogi helyzete a dualizmus-kori Magyarországon" [Legal situation of servants in Hungary in the dualist era].

or work on the estates of the local potentates. This final notion in its full bloom was encapsulated in the interior minister's draft law—accepted by parliament in June 2015—that allows the landowner who would take on day-laborers between May and October, to report his need of hands to the local mayor, who would select the suitable day-laborers and then "submit the list to the district office, which informs the public works employee's supervisor, to let the person off his/her 'duties at work or being in available status' while the public work employee must take up the seasonal work, otherwise be banned from public work and benefits for the next three months. On the basis of this proposal the worker would not even be able to quit, if for example the work conditions were too bad, because by leaving they would resign the three months of public work as well." The law however, also excludes those "from three months of public work, whose previous employment ended on the basis of common agreement, or if they quit of their own accord."[65]

By present regulation in Hungary, it requires at least 30 days of fulfilled public work to be entitled to even the lowest level of social benefits.[66] The disciplinary effect of this system can be seen in the election results of small and most vulnerable villages. According to the analysis by top Hungarian NGOs, in places "where a large percentage of the working-age population was engaged in public employment, in April 2014 the Fidesz-KDNP national list performed significantly better. While the governing parties did well (with 56.615%, 30% above the national average) only in 38% of small communities, they won by large margins in small towns and villages most affected by public employment."[67] Another NGO, Policy Agenda, found that among the settlements minimally affected by public work, 42.3% of voters voted for the national list of Fidesz-KDNP in 2014 and 55.4% in 2018. In contrast, the same numbers in settlements "heavily" or "very heavily" affected by public work were 49.7% and 61.4%, respectively. If we look only at villages that are very heavily involved in public work, there was a 53.1% support for government parties in 2014 and 67.1% in 2018.[68]

6.2.2.4. The strength of strong ties and the social psychology of clientage society

While relying heavily on the neutralization of public deliberation [→ 4.3], the electoral support of chief patrons' is still remarkable.[69] One is often tempted to ask "why people vote for them," especially in light of rampant corruption [→ 5] and the poor public policy consequences of patronal policies [→ 4.3.4.1]. As we explain in the next part, ideology and communication are of paramount importance to ensure the stability of patronal autocracies [→ 6.3–4]. However, focusing on the level of social structures, what needs to be seen is that **the stability of clientages** is quite different from that of the political support of autono-

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[65] "Pintér új ötlete: napszámosnak lehetne igényelni a közmunkásokat [Pintér's new idea: public workers could be used as rouseabouts]."

[66] Cseres-Gergely and Molnár, "Közmunka, segélyezés, elsődleges és másodlagos munkaerőpiac [Public work, transfers, primary and secondary labor market]."

[67] "Votes of the Poor: Public Works and the Perils of Clean Elections," 3.

[68] Vaskor, "Elsült a Fidesz csodafegyvere [This was Fidesz's wonder weapon]."

[69] Guriev and Treisman, "The New Dictators Rule by Velvet Fist."

mous citizens in an open-access order. Those who gain positions through the mechanisms of power-based privileges **already have something to lose—this is what ties them to the new order.** Indeed, asking "why people vote for them" stems from disregarding a simple fact: that **strong ties are indeed strong—**not to mention invisible if one focuses solely on the formal institutional setup.

This is especially true in the case of those members of the **service gentry** who did not attain their positions by merit of expertise, but on account of the unconditional loyalty that was demanded of them. This results in the slow demise of public service ethos and composure, when a patronal servant might believe that his/her expertise and political neutrality guarantee a stable position in public service. A position, claimed heretofore by merit, became a job delivered—and potentially taken away—by patronal favor. The patronal servant thereby gains a vested interest in upholding the system, as any change would come with an existential risk. Grappling with the sense of vulnerability intrinsic to clientage, a tendency toward emotional identification with the regime develops, which means that the proportion of enraptured followers of the government in this stratum becomes stabilized.

Discipline among those who remain in the filtered system is also increased by a huge gap between their current incomes and what their skills would be worth on the free market. In the circle of **court purveyors and the upper clientages,** on the other hand, to be a winner or loser of a tender can be measured in fortunes. It would be a mistake to underestimate the regime's capacity to cement the cohesion and loyalty of those adopted to the political family. Like the steel structure in reinforced concrete: the social coherence of the will of individuals is not a perceivable dimension for opinion polls, where ideology, program and existences clearly match up for the members of the clientage.

Indeed, patronal autocracy is a "forgiving" regime, though on the basis of standards different to the way this term is usually understood. There are "family rules," conditions and rewards for a return to the fold. Many people who seem alien to the system can find a place in it: from former nomenklaturists to secret service agents, and from disoriented intellectuals to scared artists and businessmen who once thought of themselves as independent. The populist rhetoric may portray these people as the "national middle class," and they might like to believe this about themselves. But in fact, they are only members of a clientage in the single-pyramid patronal network.

Non-violent threats based on existential vulnerability are a tool to throttle critical attitudes. Yet **the nature of vulnerability is fundamentally different from the one seen under communist dictatorship**. Before the regime change, if someone had a flat, he could manage with a relatively small income since the public rent, utility and transportation costs were so low. Moreover, because of the egalitarian (low) wage conditions, no differences in income and wealth comparable to present days existed then. Political retributions were present mostly in the obstructions of career, or professional advancement, a ban on publications, refusal of passports, or through bureaucratic or secret service harassment. And even in the case of imprisonment, the rest of the detained person's family could maintain their low level of existence.

Following the regime change, the substance of existential uncertainty also changed. **The earlier "little but guaranteed" was replaced by the "perhaps more, but no guarantees."** It is only a contradiction in appearance that in spite of the growth, the sense of existential uncertainty has risen significantly. Improved way of life thanks to technologies

becoming widely available (cars, mobile phones etc.) did not matter, just like that a much higher number of young people could move into their own homes or attend university than before: massive unemployment, often for hopelessly long times spanning generations, has developed in parallel with the advances. And if broad swaths of whole strata of the population have fallen into debt (without reprieve as a result of the economic crisis), with a multitude of bankruptcies among small- and mid-level businesses. **Now there is more to lose,** and vast numbers can fall from one day to the next into an existentially completely hopeless situation. The loss of a job or for that matter a contract from the state or municipality can deal a sudden, mortal blow to what had been a stable or prosperous business. Within a society where the number of positions and contracts related to the state (i.e., the adopted political family) are particularly high, this situation almost naturally evolves into a clientage society.

According to Stokes, material support granted by the ruling elite to the people in limited-access orders "keeps dictators in power by allowing them to stage elections in which competition is stifled in which voters who would prefer to vote against the regime are kept from doing so by fear of retaliation."[70] Indeed, if a client engages in a conflict with the adopted political family, he risks integrity breaking—the loss of job, wealth, capital, professional and moral credibility, and sometimes even personal freedom [→ 3.6.2.3]. The bottom line is not only a zero, but—through debt—insolvency. A drop in the social hierarchy does not have to be gradual; it can also be precipitous. For such a person, without an existence that can be made independent from patronal retribution and non-violent threats, confrontation seems hopeless and dangerous. Especially in the face of a political force that systematically tries to force existential circumstances into dependence from a chain of command, meanwhile undermining the foundations of individual autonomy.

Beyond material interest and the fear of retaliation, **the support of members of clientages for the regime can be genuine as well**. Putting sheer ideological belief aside, the clientage society has a peculiar social psychology that gives rise to honest support. In the literature, one can find several insights related to this, including the notion of social-level Stockholm syndrome (falling in love with one's captor—in our case, the autocratic ruling elite)[71] as well as a societal father complex toward the chief patron, who is seen as the protector of the people and their interests from various attacks and grievances.[72] Yet we would call attention to a deeper sociological fact, **stemming from the history of the region in general and the experiences of post-communist peoples in particular**. In regime-changing countries, whole branches of industry dissolved with the loss of the traditional markets of the Soviet bloc; and after virtually full employment came waves of massive unemployment. The devaluation of socialist working force in a capitalist environment was accompanied by severe economic recession and high inflation, sometimes even hyperinflation, consuming much of the savings and wealth of the population.[73] Adding to this the suddenly intensifying stress coming from the general uncertainty of market competition, we can

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70 Stokes, "Political Clientelism," 648.

71 Kolesnikov, "Russian Ideology after Crimea."

72 Sebestyén, "Az Orbán-kormány és a társadalom tranzakcióanalízise [Transactional analysis of the Orbán-government and the society]."

73 Rostowski, *Macroeconomic Instability in Post-Communist Countries*.

conclude that **post-communist peoples' general experience of open-access orders was existential anxiety**: the notion of uncertainty and the fear from the very real prospect of losing everything.[74] Indeed, they can think of open-access order as negative because it brings only impoverishment and existential anxiety.

When in place of such an order a patronal autocracy and a clientage society is established, **patronal dependence can grant a feeling of security**. While losing their freedom to their patrons, members of clientages must receive certain benefits stably to create dependence and the opportunity of non-violent threats from patrons. These benefits, and the stable nature thereof, creates a calculable environment which gives rise to ontological security: the feeling of personal safety and trust, created by the predictability of everyday routine.[75] Indeed, even a sense of care can develop if not all benefits are automatic but some of them are received as occasional (discretional) gifts. In contrast to automatic benefits from a faceless state apparatus, gifts create a feeling that "I am taken care of" by the leaders who "think of me." **Gratefulness embedded in dependence** help consolidate a clientage society, especially when the given ruling elite has already survived numerous elections and the people perceive them as the only viable alternative.

Positive feelings can be observed in statistical data gathered in Hungary after Orbán had already won three elections with a supermajority and virtually consolidated his regime.[76] Specifically, there is a gap between the sense of mobility and the actual chances of mobility of Hungarians. Among immobile white-collar workers, there is a relative majority (44%) who believe themselves to be upward mobile; among immobile blue-collar workers, the same number reaches absolute majority (54%).[77] Subjective sense of mobility in spite of the objective lack of mobility may be generated by a variety of factors, including improvement in the quantity and quality of consumption (i.e., technological development) and, if we speak about the sense of intergenerational mobility,[78] the structural change of labor market from primary and secondary to the tertiary (service) sector. Yet it can be hypothesized that the sense of mobility is also influenced by the sense of security, for people may not distinguish clearly between mobility and general "life chances," that is, the lack of uncertainty and shocks that would undermine personal efforts of improving one's life.

The regime's own activity can boost the sense of security on two grounds. First, the adopted political family interprets events in the populist ideological framework of "us" and "them," and it constantly claims to defend "us"—the good—from various attacks, criticisms and negative impacts of "them"—the bad [→ 6.4.2]. Communicating this narrative through patronal media in a dominated sphere of communication [→ 4.3.1.2] as well as floor-monopolizing campaigns [→ 4.3.3.1], **the adopted political family can show the outer world as generally hostile and insecure, whereas itself, a defender of the nation and anchor**

[74] Cf. Weems et al., "Paul Tillich's Theory of Existential Anxiety."

[75] Giddens, *Modernity and Self-Identity*.

[76] Balogh et al., *Származás és integráció a mai magyar társadalomban* [Origin and integration in contemporary Hungarian society].

[77] Balogh et al., *Származás és integráció a mai magyar társadalomban* [Origin and integration in contemporary Hungarian society], 28.

[78] Balogh et al., *Származás és integráció a mai magyar társadalomban* [Origin and integration in contemporary Hungarian society], 26–27.

of security. Second, the establishment of limited-access order involves a dual strategy of integration and disintegration, akin to the mixture of mobilization of supporters and demobilization of non-supporters in electoral campaigns [→ 4.3.3.1]. On the one hand, the leaders **integrate clients through strong ties** in the single-pyramid patronal order, enforcing active obedience and passive acceptance from the members of various clientages.[79] On the other hand, **groups that are left out of the patronal network are disintegrated**. This may happen either passively, leaving them out from the allocation of resources in line with amoral familism [→ 3.6.2.4], or actively, meaning the threat, harassment and attack of alternative institutions, key individuals, and opposition [→ 3.3.9]. Thus, the activity of the adopted political family reduces the benefits clients could receive from alternative sources, minimizing defection. Indeed, as behavioral economics has shown, **people are generally risk-averse**, meaning they try to avoid risky situations and do not make choices that involve high levels of uncertainty.[80] This means even those people who may not believe the populist narrative must see extraordinarily promising prospects to consider supporting a fundamental, regime-level change. As the opposition is neutralized and alternative opportunities in general are eliminated or put at risk by the adopted political family itself, **the people can hardly be expected to leave the certainty of patronalism and moderate benefits for the uncertainty of weak opposition and open-access order**. Hence, clientage society in a consolidated patronal autocracy rests in a social equilibrium of patronalism.[81]

6.3. The Stability of Power and Mass Political Persuasion

As the previous part indicated, societal patronalization can be understood as a means to achieve **stability of power**. In Chapter 4, we said that the six ideal-type regimes were stable and self-sustaining, but we also pointed to the various challenges liberal democracies, patronal democracies and patronal autocracies might face [→ 4.4]. Yet patronalization help avoid another kind of **challenge that (1) targets specifically the leading political elite and its power position**, which may or may not be synonymous to the regime itself [→ 2.2.1], **and (2) comes from the side of the people**, who can threaten the rulers if the majority is actively hostile toward them. This challenge is overcome and the leading political elite's power can be regarded as stable if the elite is either (a) actively supported, (b) passively put up with, or (c) ineffectively opposed by the majority of the population.[82] Societal patronalization ensures the stability of power by establishing a chain of command that reaches down through the layers of society and relies on deeper sociological processes than the techniques of the neutralization of the sphere of political action [→ 4.3]. The people's

[79] Kovách, *Társadalmi integráció* [Social integration].

[80] Kahneman, *Thinking, Fast and Slow*, 269–342.

[81] For further discussion about supporting oppressive structures because doing so serves fundamental psychological needs for certainty, security, and social acceptance, see Jost, *A Theory of System Justification*.

[82] Cf. Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)."

dependence and interest in the survival of the regime perpetuates the stability of patronal autocracy as far as the people's support, resignation and neutralized state are concerned.[83]

Embedding societal patronalization in a broader framework allows us to examine other methods that achieve the same kind of stability in various regimes. However, to be able to use insights from the literature on regime stability and remain consistent in our framework, we need to separate "stability" from "legitimacy" (which we discussed in Chapter 4 [→ 4.2]). In our framework, when we speak about stability and the ways it is achieved, what we mean is indeed **achieving that the people do not want to initiate actor change, that is, to undertake the method they think will lead to the departure of the leading political elite**. In this context, **legitimacy is what specifies the aforementioned "method:" regimes have either electoral or non-electoral legitimacy** [→ 4.2.4]. Thus, while many authors emphasize the introduction of elections as a means to achieve the stability of modern authoritarian regimes,[84] in our discussion **elections frame the process of achieving stability of power**. In other words, regimes adapt to the people's sense of legitimacy by holding elections,[85] but the rulers need other, concrete means to avoid the people's active hostility *within* the electoral-legitimacy framework. These "concrete means" are what we discuss in the following, or what we term as **the means of mass political persuasion**.[86] In some cases, these will be identical to the pillars of regime stability other authors identify, especially in polities where removing the leading political elite means the removal of the regime as well. From the polar type regimes, communist dictatorship and patronal autocracy are cases in point. Yet in communist dictatorship, the regime has non-electoral legitimacy and therefore stability means avoiding violent revolts or revolutions (i.e., extra-electoral restitution). In contrast, patronal autocracy has electoral legitimacy and stability means avoiding electoral defeat, or that the people try to vote down the rulers and eventually realize that the electoral way does not work (and therefore the legitimacy-basis of the regime is broken) [→ 4.4.4]. As for the third polar type regime, mass political persuasion in liberal democracy simply refers to the means of staying in power, avoiding the people vote one out of office in fair elections [→ 4.3.3.2].

Speaking about the stability of power, Johannes Gerschewski argues that it really rests on three pillars: (1) legitimacy, which he interprets as "diffuse support" which is a general and long-term-oriented belief in the system and its "righteousness" along the lines of an ideology; (2) repression, by which he means the use of violence; and (3) co-optation of strategic elites (actual or potential opposition leaders, economic elite etc.).[87] For co-optation, we adopt Gerschewski's definition:[88]

- **Co-optation** is the capacity to tie strategically-relevant actors (or a group of actors) to the leading political elite.

[83] Indeed, neutralization of the institutions of public deliberation ultimately serves the same purpose [→ 4.3].

[84] For a meta-analysis, see Gandhi and Lust-Okar, "Elections Under Authoritarianism."

[85] Schedler, "The Logic of Electoral Authoritarianism," 13.

[86] Cf. Guriev and Treisman, "Informational Autocrats."

[87] Gerschewski, "The Three Pillars of Stability," 18–23.

[88] Gerschewski, "The Three Pillars of Stability," 22.

For the two other components, however, we use a vocabulary different from Gerschewski's. To maintain conceptual coherence, we substitute 'legitimacy' for 'the use of ideology' (or 'ideology,' in short) and 'repression' for 'coercion.'[89] In addition, Gerschewski speaks about regime stability in general and understands only (1) as being targeted toward a larger collective (the population), whereas (2) and (3) are analyzed in their individual as well as collective forms.[90] However, we have already discussed individual co-optation of strategic-elite actors [→ 3.3.9, 3.4.1.3, 3.5.3.2] and custom-tailored coercion [→ 4.3.4.2, 4.3.5.2] and now we are focusing on societal factors. Therefore, we narrow down the subject of general regime stability to its collective aspect (hence mass political persuasion).

Table 6.5 shows the means of mass political persuasion and their relevance in the three polar type regimes. First, **coercion** can involve **the use of violence**, as mentioned by Gerschewski, but it can also take the form of non-violent threats, such as blackmail and **existential threats** [→ 2.2]. We may mention three dependent groups toward which the state can direct such threats: (1) **transfer recipients**, particularly poor (rural) people who can be coerced by a threat of cutting their only source of revenue discretionally, (2) **public employees** who can be fired from their job (perhaps along with their family members), and (3) **economic actors** who receive a substantial part of their revenue from a state contract and/or—in patronal autocracies—are court purveyors, that is, subcontractors to the adopted political family's oligarchs and economic front men. Such actors are dependent on the state, that is, the ruling elite, and vulnerable to losing its support [→ 5.4.1.2]. Second, focusing on mass political persuasion, we distill **co-optation** to the application of **clientelism**, that is, spending in favor of the (voting) population and "buying them up" into supporting the regime. The exact forms of this may vary, from occasional vote-buying and budgetary intervention in the egalitarian or elitist mode [→ 5.4.3.3] to constant increases of living standards by means of economic policy. Finally, **ideology** involves **communication through the media toward the entire population**, convincing the people to support the ruling elite.

Each regime can be characterized by a specific **pattern**, that is, a certain "portfolio" of means that are ideal typically used for mass political persuasion.[91] **In liberal democracies**, we can see what may be called the **"democratic pattern,"** where **the primary means** of mass political persuasion is **ideology**. As we explained, in liberal democracies the main cleavage of party competition is ideological [→ 4.3.2.4]. Both the leaders and the main opposition parties are subordinated to the principle of societal interest, they try to realize some kind of ideology, and they attempt to win the people's support for their program in the discussing phase of public deliberation [→ 4.3.1, 4.3.3.1]. **The secondary means of mass persuasion is co-optation** by improvement of living standards and clientelism, particularly budgetary intervention of the ruling party to gain support in times of elections [→ 5.4.3.3]. Naturally, economic policy in general is of paramount importance to

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[89] Not to be confused with demobilization [→ 4.3.2.1].

[90] Cf. Gerschewski, "The Three Pillars of Stability," 27–30.

[91] Different patterns for regimes with single-pyramid power network are empirically distinguished by Maerz, "The Many Faces of Authoritarian Persistence." A more theoretical analysis of the changing patterns of persuasion is provided by Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)."

the stability of power in democracies,[92] and indeed it can refer to any kind of policy mix which increases the well-being of the citizens (in the short or the long run) in the current climate of the domestic and global economy. North and his colleagues argue this creates a strong incentive for the ruling elite to avoid widespread rent-creation that would break down the economy, while thriving market economies also facilitate the stability of open-access orders through the general prospect of long-term economic prosperity.[93]

Table 6.5. Means of mass political persuasion in the three polar type regimes.

		Target group(s)	Form/means of enforcement	Relative importance for mass political persuasion in…		
				Liberal democracy	Patronal autocracy	Communist dictatorship
Coercion	Use of violence	Population	White (grey and black) coercion	–	+	+++
	Non-violent threats	Transfer recipients	Cutting transfers	–	+++	-
		Public employees	Firing from jobs	–	+++	+
		Economic actors	Exclusion from (state) contracts	–	+++	–
Co-optation		Population	Clientelism / improvement of living standards	++	++	++
Ideology		Population	Media	+++	+++	++

Legend: +++: primary means; ++: secondary means; +: tertiary means; -: not used for mass political persuasion.

In communist dictatorships, a **"communist pattern"** of mass persuasion prevails where the nomenklatura uses **primarily coercion** (violence), secondarily co-optation and ideology, and thirdly some non-violent threats to maintain its rule. Of course, reliance on coercion does not mean that the party is in a constant fight against an actively hostile population. Rather, it refers to the presence of mass terror and the ban of opposition activities in general [→ 1.6, 4.3]. This has a signaling effect on the majority of the population that becomes passively tolerant of the status quo of suppression.[94] As for **the secondary method of co-optation**, economic performance has been generally noted as a main source of (material) legitimacy in communist dictatorships.[95] On the one hand, positions in the nomenklatura as well as in other favored social groups (like certain workers) are granted a higher level of living standards. Indeed, the nomenklatura is not only a register of ruling positions but also, more generally, a register of status categories. A person's status involves rulership capacity but also his consumption category: people on different (formal) levels of

92 Przeworski et al., *Democracy and Development*.

93 North, Wallis, and Weingast, *Violence and Social Orders*, 129–33.

94 Cf. Guriev and Treisman, "The New Dictators Rule by Velvet Fist."

95 White, "Economic Performance and Communist Legitimacy."

the nomenklatura and society enjoy different bureaucratically regulated baskets. This is part of the bureaucratic resource-redistribution that is also managed, planned and executed by nomenklaturists.[96] On the other hand, party states, especially in softer forms of communist dictatorship, can use materialistic "welfare" programs that aim at the constant improvement of the citizens' living standards on a more normative basis.[97] This can be done through increasing wages and other revenues, which the people dominantly get from the state that has a monopoly of the ownership of the means of production. As for such measures' effect on material legitimacy, scholars have spoken about a **"social contract"** in communist countries, claiming the people "gave up their freedom," that is, did not riot against oppression in exchange for the state ensuring and gradually improving their existential status.[98] **Ideology** also plays a role that is not negligible.[99] Although one might doubt that the people, facing the economic reality of communism, are actually convinced that "the vanguard" serves their interests, strong propaganda and the lack of alternative media create a closed sphere of communication [→ 4.3.1.2]. Indeed, communist propaganda is a method of declaration of overwhelming political power at least as much as it is a method of genuine persuasion. In such an environment, the people are constantly bombarded with the regime's messages while rarely hearing anything else, meaning they are trapped in the regime's general frame of interpretation just as they are trapped in the regime itself.[100] Finally, **firing from jobs plays a tertiary role** in political persuasion. Although people can be fired for not showing sufficient devotion to the regime, and career advancement is unthinkable without the demonstrative support for communism, communist dictatorships are characterized by full employment.[101] This means it is not the people's existential position *per se* that is threatened by the regime—rather their personal freedom, via the primary means of coercion.

When it comes to **patronal autocracies**, identifying a more-or-less static "pattern" is somewhat misleading because of the chief patron's pragmatism. Following Gerschewski,[102] we may use the concept of institutional complementarity to point out that, for a regime that is interested in keeping a façade of non-repression, the rational strategy is to start using seemingly democratic means and move on to less democratic ones only when the democratic means are no longer sufficient to maintain power.[103] Yet for analytical purposes, it is useful to identify a pattern that builds on the above-explained political and sociological characteristics of patronal autocracy. Accordingly, we can say that the **"patronal pattern"** of mass political persuasion employs **primarily non-violent threats and ideology**, which can hardly be ordered in an ideal typical hierarchy of importance. In this pattern, **violence only plays a tertiary role**, being applied with the aim of negative signaling to the larger population [→ 4.3.2.1]. Yet in its more general use, violence appears in patronal autocracy as a means to crack down on opposition to the regime only against individuals, on a case-

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96 Voslensky, *Nomenklatura*.

97 Kornai, "Paying the Bill for Goulash Communism"; Széky, *Bárányvakság* [Daytime-Blindness], 112–38.

98 Cook and Dimitrov, "The Social Contract Revisited."

99 Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)," 253–54.

100 Friedrich and Brzezinski, *Totalitarian Dictatorship and Autocracy*.

101 Kornai, *The Socialist System*, 203–27.

102 Gerschewski, "The Three Pillars of Stability," 27–30.

103 Cf. Maerz, "The Many Faces of Authoritarian Persistence," 5–7.

by-case basis and typically as a worst-case scenario, while the level of coercion toward the general population is practically shrunk to the level of democratic polities.[104] **Co-optation is also only a secondary means**, although it includes both (a) clientelism and buying the votes of non-clientage groups and (b) general economic performance.[105] However, what steps in as **a primary means is the use of non-violent threats**. For **the creation of clientage society means creating opportunities for blackmail and existential threat**, as well as the feeling of security stemming from the fact of dependence [→ 6.2.2.4].

As we mentioned, beyond non-violent threats, **ideology is the other primary means of mass political persuasion** in patronal autocracies. True, they do not use totalitarian ideologies,[106] and as they hold elections that are manipulated the extent to which they are exposed to the will of the people is limited [→ 4.3.3.2, 7.4.7.3]. But one of the most often cited elements of electoral manipulation is the uneven playing field, that is, the dominated sphere of communication [→ 4.3.1.2]. Patronal media would be of little use if the chief patron had no content to fill it up. And he typically fills it up with **the populist narrative**, and uses this ideological instrument to legitimize his acts and also facilitate electoral victory. Gaining remarkable ideological support from the population, the populist chief patron (1) lowers persuasion costs for the elite, which means co-optation becomes cheaper as the people start supporting the regime on an ideological basis, and (2) reduces potential opposition and therefore the need for coercion.[107] In general, we can say that **the less the people feel oppressed**, that is, the less they think the regime makes them act in a different way than they would willingly do, **the less coercion the rulers needs to employ** and the less resistance the ruling elite is likely to face.

6.4. The Level of Discourses: Ideology and the Political Market

In this part, we discuss **the role and character of ideology** for ruling elites. Above, we used "ideology" to refer to the means of genuine persuasion of people, to make them accept the leaders as good and proper. Yet there exist many different approaches to the concept in different disciplines, making "ideology" a difficult term to define.[108] For the purposes of our framework, we follow the line of thought of the previous part, yielding the following operational definition:

- **Ideology** is a belief-system (1) about the proper functioning of society and (2) used by a political actor in an attempt to win popular support for his actions.

[104] Guriev and Treisman, "Informational Autocrats."

[105] Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)," 255–56.

[106] Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)," 259.

[107] Gerschewski, "The Three Pillars of Stability," 29.

[108] For a meta-analysis, see Stråth, "Ideology and Conceptual History."

Both clauses of the definition narrow it down to a rather specific meaning. As for (1), it narrows the definition to political belief-systems, meaning we do not consider belief-systems that are not about how society should work ideologies. As for (2), even among political belief-systems we speak about "ideology" only when it is used in political communication, that is, to win popular support for political actors (voting support in electoral regimes). Furthermore, while it is not part of the definition, it is worth making a distinction between the ideology as a whole—that is, the complete narrative or set of arguments that make up a coherent whole—and **ideological panels**. By the latter, we refer to only **certain parts** of the narrative or the **specific arguments** which then make up (or not) a coherent ideology.

In political analyses, **ideology**—understood in this sense—**is often taken "at face value."** When a political actor starts using nationalist panels, he is considered a nationalist; when he uses right-wing conservative panels, he is considered a conservative etc. Usually, **actors are put on the left-right and liberal-conservative axis** based on their communicated goals or party manifestos.[109] However, this approach risks the confusion of two different statements: (1) that the actor communicates a certain ideology and (2) that this ideology contains his actual goals. Indeed, labelling an actor "nationalist" or "conservative" presents ideology as the defining element of the actor, and therefore it seems to presume that he not only communicates the ideology but also takes it seriously—that it is the guideline by which he acts. Also, when it comes to describing state policies, it is common to use the leaders' communication as a starting point: as if policies must be a realization of what the actor communicates. And when they are not, that must mean that the actor is "mistaken," as he could not achieve the congruence of goals and results he obviously wanted to (since he asserted so).[110] Indeed, such analysis exhibits unjustified bias, claiming *a priori* that the actor is in the principle of societal interest or ideology implementation [→ 2.3.1]. Such claims about the dominant principle of functioning require justification; therefore, they must not be taken for granted as implicit presumptions of analysis.

The risk of confusion coming from implicit presumptions can be avoided by taking two steps. First, **we need to separate the supply and the demand side of ideologies**. Equating the two is what leads to taking ideologies at face value in the first place, as the actor is seen as a genuine representative of the people's values and interests. Indeed, an actor may well exploit social tensions rhetorically while using the popular ideology as a cover to actions which have indeed nothing to do with the stated goals. Second, we should take a **functionalist approach**, that is, one that treats ideology as a means to achieve ends of social action. We do not treat, *a priori*, communicated panels as the starting point to understand the political actor's action. Rather, we treat communicated panels as what they are: acts of communication, the content of which may or may not be helpful in explaining the actor's other (non-communication) acts. Acts of communication are to be analyzed as parts, not immediate explanations, of the totality of an actor's actions, and hence we can analyze the function that each panel or ideology serves with respect to the actor's other acts.

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109 Franzmann and Kaiser, "Locating Political Parties in Policy Space."

110 Magyar, *Post-Communist Mafia State*, 231–32.

6.4.1. The Supply Side: Ideology-Applying Actors and Regimes

6.4.1.1. General functions of ideology

Ideology can fulfill different functions for political actors. For the purposes of our framework, we identify **two ideal typical functions**: that of a **guideline** and that of a **cover**. In the former case—that is also suggested by ideological classifications from "leftist" and "rightist" to "neoliberal," "fascist" and "communist"—we can speak about ideology-driven actors:

- **Ideology-driven actor** is an individual or collective political actor that acts by an ideology. More precisely, a political actor is ideology-driven if (1) the fundamental character or the defining/constituting elements of his actions can be derived from his communicated ideological panels, (2) he varies his ideological positions rarely and (3) any varying is followed by a change in his actions accordingly (value coherence).

It should be noticed that "ideology-drivenness," as we indicated in Chapter 2, is not referring to an internalized belief or the rulers' psyche, that they are "true" believers. Rather, what it refers to is that they appear to be true believers—that there is a strong correlation between their communicated ideology and their actions [→ 2.3.1]. This is precisely what we mean by the function of "guideline," that the actor's fundamental (public) policy objectives, strategy and the related actions can be derived from his ideology. Naturally, this does not mean such an actor is free of any pragmatism and tactical considerations; that he is a pedantic, uncompromising implementer of his views. **Ideology-driven actors may make compromises, certainly have political tactics, and they are very much interested in political power** (just like any political actor). Moreover, by how much power they want to grab, we may, using our previously introduced dominant principles of state functioning [→ 2.3.1], classify ideology-driven actors as running on the principle of ideology implementation—in case they aim at a power monopoly—or on the principle of societal interest—in case they do not. **But their starting point is an ideology: it is ideological, public policy goals [→ 4.3.4.1] which they bring to the table and compromise, design political tactics to, and want to grab power for.** In the terminology of Wolfgang C. Müller and Kaare Strøm, an ideology-driven actor can be described as "policy-seeking," meaning he "seeks to maximize [his] impact on public policy" and considerations of policy goals are foremost in his strategy.[111] As the authors explain, such actors often face trade-offs between insisting on policy preferences and—in electoral regimes—getting the votes and office to implement them. Making such "hard choices," ideology-driven actors sometimes sacrifice their more extreme policies for the power to implement the less extreme ones (like when they make a compromise to enter a coalition) but **they are willing to pay a political price for insisting on certain policies**, too.[112] To take an example from a conservative autocratic attempt, Kaczyński in Poland insists on a strict abortion law, even though such policy is

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[111] Müller and Strøm, *Policy, Office, or Votes?*, 7.

[112] Müller and Strøm, *Policy, Office, or Votes?*, 9–15 and *passim*.

opposed by more than two-thirds of Poles and carries no (private) material gains for the leading political elite either.[113]

In the case of ideology-driven actors, it makes sense to identify them with an ideology. For the ideology carries explanatory force to the actor's political actions, also carries a predictive value as the actor does not change his position on specific issues frequently. However, the situation radically differs **when ideology fulfills the role of a cover—**that is, in case of ideology-applying actors:

- **Ideology-applying actor** is an individual or collective political actor that communicates an ideology but does not act by it. More precisely, a political actor is ideology-applying if (1) the fundamental character or the defining/constituting elements of his actions cannot be derived from his communicated ideological panels, (2) he varies his ideological positions frequently and (3) varying is not followed by, but rather follows, a change in his actions accordingly (functionality coherence).

An ideology-applying actor relies on ideological panels of various sorts, and their use is determined by political expediency. By "cover," we mean that the actor chooses ideological panels to hide his actual goals, demonstrating a rational and functionally cynical attitude. By dominant principles of state functioning, we can identify ideology-applying actors as **running on elite interest**, meaning they aim at power monopolization and personal-wealth accumulation without following an ideological vision about the society [→ 2.3.1]. Indeed, **coherence can be found not in the summarized content of ideological panels but by focusing on elite interest and how the panels serve it (functionality).** This is a crucial difference from ideology-driven actors and leads us to the following differentiation:

- we can speak about **value coherence** when the actor's ideology is logically coherent and consistently applied (does not include contradictory positions or double standards), as in cases of ideology-driven actors;
- we can speak about **functionality coherence** when the actor's ideology is logically incoherent and not applied consistently (i.e., includes contradictory positions or double standards) but **the pattern of choosing and varying ideological positions derives coherently from pragmatic considerations**, that is, the principle of elite interest in cases of ideology-applying political actors.

In short, here the selection of an ideological position follows, and does not precede, tactical considerations and compromises. As we show below, only certain types of panels fit logically to the combination of power monopolization and personal-wealth accumulation. Among the panels, there are more ephemeral ones that are chosen and dropped in an *ad hoc* manner to justify concrete actions, often inconsistently with the ideology/goals the actor (a) claimed to follow earlier or (b) claims to follow with respect to other issues. But there are some panels like "sovereignty" and "national interest" which are used more repeatedly and generally to justify political action. The latter might create the appearance of

113 Roache, "Poland Is Trying to Make Abortion Dangerous, Illegal, and Impossible." See also Magyar, "Parallel System Narratives," 637–43.

a constant vision about society's proper functioning, as if the actor indeed had an ideology that motivates him.[114] In spite of this, the reasons we cannot treat the actor as ideology-driven are two. First, features (2)-(3) from the definition still apply to him because of the ephemeral panels, which at least move him closer to the ideology-applying ideal type than to the ideology-driven one. Second, not even feature (1) holds, for the "vision" that repeatedly appears from the more general panels is typically too vague, meaning constituting elements of the actor's actions cannot be derived from it. Hence, these panels cannot function as guidelines but only as covers, as they provide a large room for maneuver to legitimize a range of actions [→ 2.3.1]. An ideology-applying actor can use these vague ideological panels while not explaining why he constantly chooses those specific courses of action which lead to the realization of elite interest [→ 6.4.1.4].

6.4.1.2. Ideology-driven populists and ideology-applying populists

The vagueness of applied ideologies, which may also be called **"cover ideologies,"** leads us back to the question of **populism**. In Chapter 4, we defined populism as the coherent unity of six features: (1) reliance on popular sovereignty, (2) anti-pluralism, (3) plebiscitary nature, (4) majoritarianism, (5) anti-elitism and (6) "us versus them" rhetoric [→ 4.2.3]. However, we also explained that populism is a thin ideology, that is, **it is vague—it entails only the unconstrained rule of the autocrat, not how he uses this power**. Indeed, the lack of logical connection between "diagnosis" and "therapy," that is, between the populist's communicated impetus—like "the national interest"—and the subsequent actions makes populism a perfect cover, as it can be attached to practically any kind of (left or right-wing) policy measure. This is why we called populism an **ideological instrument** earlier [→ 4.2.3]. Indeed, it is a protective "shell" that political actors can put on their political product and claim what they offer is the only legitimate option among competing alternatives for it—only it serves the "interest of the people."

The crucial distinction lies between political actors who have a primary ideology and attach populism to it secondarily and those who use populism primarily, attaching to it policies from various ideologies. More precisely, we need to distinguish between:

- **ideology-driven populists**, who employ the populist narrative alongside a permanently attached, value-coherent ideology, and
- **ideology-applying populists**, who apply the populist narrative in line with functionality coherence, without attaching an ideology to it permanently.

In neither case does the policy program of the actors follow from populism. But ideology-driven populists propose a certain set of policies and they stick to them in a permanent manner, meaning they represent them over time quite consistently and also act by them, as long as their options allow. They do not exploit the cover nature of populism, which would allow them freely to change the attached ideology whenever they please. In contrast, ideology-applying populists are ideology-applying, meaning **they use the populist narrative permanently but exploit its flexibility**. For ideology-applying populists, there

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[114] For such an interpretation, see Tölgyessy, "Válság idején teremtett mozdíthatatlanság."

is no ideology that would be permanently attached to populism but rather a changing set of value-incoherent (but, coherent in view of elite-interest functionality) panels.

Ideology-driven populists can be placed appropriately on a left-right or liberal-conservative axis, on the basis of their permanently attached ideology.[115] But **ideology-applying populists are neither left-wing nor right-wing, nor extremist**. Classifying them by an ideology such as extreme right-wing is misleading because (1) it implies that ideology-applying populists are indeed ideology-driven even though they are not and (2) it conflates them with ideology-driven actors who communicate the same ideology but also act by it. The attitude and relation of ideology-applying populists to ideology is fundamentally different from "traditional," ideology-driven left- and right-wingers: (1) they vary ideological panels pragmatically, choosing panels from the left as well as the right and replacing them with great liberty and frequency; and (2) fundamental features of their actions cannot be derived from their ideology.

Table 6.6. Ideal types of political actors by role of ideology.

<table>
<tr><th colspan="5">Ideology-driven actors</th><th>Ideology-applying actors</th></tr>
<tr><td colspan="2">Centrist
(right/left, liberal/conservative)</td><td colspan="2">Extremist
(right/left, liberal/conservative)</td><td rowspan="2">Totalitarian</td><td rowspan="2">Ideology-applying populist</td></tr>
<tr><td>Non-populist</td><td>Ideology-driven populist</td><td>Ideology-driven populist</td><td>Non-populist</td></tr>
<tr><td>Non-anti-elitist</td><td colspan="2">Anti-elitist</td><td>Anti/non-anti-elitist</td><td>Elitist</td><td>Anti-elitist</td></tr>
<tr><td>Pluralist</td><td colspan="2">Anti-pluralist</td><td>Pluralist</td><td colspan="2">Anti-pluralist</td></tr>
<tr><td colspan="3">Non-teleological legitimacy</td><td>Teleological/non-teleological legitimacy</td><td>Teleological legitimacy</td><td>Non-teleological legitimacy</td></tr>
</table>

Table 6.6 shows the **ideal types of ideology-driven and ideology-applying actors** in the political sphere. Among ideology-driven actors, we can first differentiate **centrists and extremists**, both of whom have **ideology-driven populist and non-populist variants**. By policy positions, both centrists and extremists have a permanent ideology that is closer to the left or the right by its fundaments.[116] But centrists hold a middle-of-the-road position and oppose public policies that would result in radical social changes, whereas extremists favor such policies. Depending on their side, extremists can argue for radical public policy changes in the direction of the left—such as radical income redistribution for the equality of wealth—or in the direction of the right—such as radical ban of alternative lifestyles or practices that conservatives regard as immoral (LGBT-rights, abortion etc.).[117] Among extrem-

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[115] Yet mainstream literature usually treats populists as radical or extreme representatives of their ideological wing already because of their anti-pluralism and anti-elitism. See Mudde, *Populist Radical Right Parties in Europe*.

[116] We use the left-right axis to define only ideal types, while we accept the argument that such an axis could not involve the variety of precise descriptive (normal, Sartorian) concepts to encompass the multidimensional nature of party competition. Cf. Albright, "The Multidimensional Nature of Party Competition."

[117] Ezrow, Homola, and Tavits, "When Extremism Pays."

ists, ideology-driven populists and non-populists are divided first and foremost by the criterion of pluralism. Indeed, in our terms fascists qualify as extremist ideology-driven populists, whereas various types of anti-democrats (on the left and the right) who "wish to delegitimize representative democracy's normative foundations and subvert its legal-institutional structures" are extremists but not necessarily populist.[118]

Ideal typically, the party systems of **liberal democracies** feature a **(large) majority of non-populist centrists with a (small) minority of populists and extremists**. Indeed, we can understand as a healthy and stably functioning liberal democracy one that is led by the non-populist left or right in a cyclical rotation, representing feedbacks from left/right and liberal/conservative standpoints while respecting democracy and not instituting radical policies in favor of their preferred societal groups and at the expense of their opponents (see Box 6.3).[119]

In communist dictatorships, the **state party**, the only actor in the one-party system [→ 4.3.2.4], can be characterized as **totalitarian**. On the one hand, totalitarian parties are similar to extremist populists in terms of anti-pluralism and holding an extreme ideological position. Historically, this position has been either fascism (Nazism) of the extreme right or Marxism-Leninism of the extreme left.[120] On the other hand, totalitarian parties are dissimilar in two respects: (1) while extremist populists are anti-elitists, totalitarian parties are **elitists** (for instance, Marxism-Leninism proposes the rule of a "vanguard" which "knows better" the interest of the people than the people themselves [→ 4.2.4]); and (2) while extremist populists' legitimacy is non-teleological, totalitarian parties hold **teleological legitimacy**. We borrow this concept from György Konrád and Iván Szelényi, who argue that Marxism-Leninism is teleological in the sense that it legitimizes its actions by claiming it moves society toward a utopic end goal: communism.[121] The only other actors which may also hold teleological legitimacy are non-populist extremists, who however are pluralist (and non-anti-elitist). An obvious example for such an ideology would be individualist anarchism (radical libertarianism), which is an extreme-right wing position with a utopic societal vision but it is also pluralist and does not use the populist narrative.[122]

Box 6.3. Centrist ideologies as feedbacks of democracy.

"The [. . .] two basic forms of political stratification are the left and right wing and, in parallel, the concepts of liberalism and conservatism. [. . .] Both of these phenomena are inseparable from democracy. For their lifeblood is the fair system of elections, which is the guarantee of their cyclical coming to power and therefore of correction within the limits of democracy. [The role] of left and right, conservative and liberal forces and ideas is precisely to improve democracy through their political struggles. They are none other but feedbacks of democracy. [. . .] Democratic feedbacks occur in pairs because they keep each other in check, thus ensuring a balanced functioning of the mechanism of feedback. Sometimes the left, sometimes the right, sometimes liberalism, and sometimes conservatism plays the role of positive or negative feedback. Sometimes one and sometimes the other prevents the other from taking total control. It weakens or strengthens something in democracy. [. . .] If either element of the two pairs predominates, if there is no effective counterpart to it, it will degenerate (only its own positive feedback will prevail) and will destroy democracy. In the language of politics, it will become too radical and 'redeeming' in character, [whereas] according to the formal approach it deactivates the negative feedback and leads [. . .] to path dependence." "[In such cases], as Norberto Bobbio put it, 'there is no freedom,' i.e. no democracy. Extremists necessarily represent a political denial of democracy."

– Rudolf Ungváry, *A láthatatlan valóság: A fasisztoid mutáció a mai Magyarországon* [The Invisible Reality: Fascistoid Mutation in Today's Hungary] (Pozsony: Kalligram, 2014), 71–75.

118 Pappas, "Distinguishing Liberal Democracy's Challengers," 24–26.

119 Frankenberg, "Democracy."

120 Kornai, *The Socialist System*.

121 Konrád and Szelényi, *The Intellectuals on the Road to Class Power*.

122 For a prime example of this position, see Rothbard, *For a New Liberty: The Libertarian Manifesto*.

Finally, **in patronal autocracies** the single-pyramid patronal network is composed of ideology-applying actors and therefore the ruling elite can be classified as **ideology-applying populist**. By their rhetoric, they are similar to other populists—anti-elitism, anti-pluralism, and non-teleological legitimacy—but they, as explained above, belong neither to the left- nor to the right-wing as they are not ideology-driven. Also, it is worth noting at this point that **patronalism and the principle of elite interest necessitate ideology-application**—not only by definition but because **no ideology**, left/right or otherwise, **can promote personal-wealth accumulation if it is congruent with civil legitimacy**. Wealth accumulation, which is a constituting element of patronal autocracies and elevated to the level of central politics [→ 5], cannot be openly admitted in a regime relying on civil legitimacy, that is, an interpretation of the common good. Indeed, it is precisely when the patronal appropriation of the interpretation of the common good happens that such a goal can be legitimized as a principle of state functioning.

6.4.1.3. Ideology-driven, ideology-applying, and ideology-neutral regimes

Up to this point, we focused on actors and defined, by the congruence of their words and deeds, a conceptual continuum between ideology-driven and ideology-applying actors. However, these concepts can also be applied to **regimes** by comparing the congruence between **the ruling elite's words and the state's deeds**. In other words, we need to focus on the state as a whole, that is, state institutions and operation, and see whether their political actions show value coherence or functionality coherence.

The classification of regimes by ideology is the most straightforward in autocracies and dictatorships, or more precisely in cases of **single-pyramid power networks** [→ 3.7.1.1]. For if the power network is single pyramid, the **branches of power are not separated** but subjugated to the executive and the leading political elite. Thus, such regimes **operate by the goals of the executive and leading political elite**, from which it follows that autocracies and dictatorships can be characterized in the same way as their leading political elites. In the case of ideology-driven leaders—like the nomenklatura in **communist dictatorships**—we can speak about an **ideology-driven regime**, whereas an elite-interest based, ideology-applying ruling elite—like the adopted political family in a patronal autocracy—constitutes an **ideology-applying regime**.

Ideology-driven regimes are subordinated to the principle of ideology implementation [→ 2.3.1], therefore they make formal institutions as well as the population follow the central ideology consistently. Every state department serves the same ideology in line with the teleological goal, at least in case of totalitarian regimes. In an ideology-applying regime, on the other hand, **state departments either do not follow any ideology consistently or they follow different ones which are locally functional**, that is, serve the elite interest of the ideology-applying leaders. In a sense, we can observe a structure that is similar to how ideology-applying actors use a functionality-coherent set of ideological panels. In communication, a single panel may well be value-coherent—just as a single state department might apply an ideology consistently if that serves the leaders' elite interest locally. But on the global level, that is, considering every panel, the ideology-applying actor's communication shows logical inconsistencies and contradictions—and similarly, **considering every state department the ideology-applying regime is value-incoherent and achieves function-**

ality coherence. For example, a patronal autocracy may form an alliance with a church, which, enjoying brokered autonomy, may be given the right to implement its anti-liberal ideology in a state department like education [→ 3.5.3.2]. But another department like social policy can follow a different ideology that contradicts the church, religious solidarity and the Biblical teaching of helping the poor and needy,[123] while other departments may not even follow an ideology and carry out decisions for personal-wealth accumulation (again contradicting any religious teaching about justice and temperance). Furthermore, while some departments seem locally ideology-driven as they are assigned an ideological position, the ideology-applying regime can vary its ideological panels frequently and reorient the given department (or any other one) completely at any time, in line with the twin goals of power monopolization and personal-wealth accumulation. In short, local ideology implementation in a single-pyramid regime does not contradict its ideology-applying nature but it is an evident corollary of it—this is precisely how ideology application works.[124]

It is less obvious how to classify systems that are characterized by a **multi-pyramid power network** and **separated branches of power**. Concretely, **in liberal democracies** power is divided and state departments, ministries and branches (and also local governments) enjoy considerable autonomy, meaning they do not all serve the goals of the leading political elite [→ 4.4.1]. However, the solution as to how to classify a liberal democracy follows precisely from this constitutional character. The lack of monopoly of political power, the strong rule of law and the dominance of impartial state institutions (independent judiciary and legislature) are guarantees of **competition of ideologies**. Naturally, as the leading political elite itself is (centrist) ideology-driven, the institutions it controls will follow its ideology, but—unlike in extremist or totalitarian regimes—not in an exclusive manner. In the ideal typical liberal democracy, we can speak about **state neutrality**: state institutions are open and provide a **neutral playing field** for the competition of ideologies, in line with the principles of constitutionalism and the universal respect of human rights as well as public deliberation [→ 4.2–3].[125] It may be objected that constitutionalism itself is an ideology and therefore this system counts as ideology-driven, too. But in the definition of ideology, we included that it must be used by a political actor in an attempt to win popular support for his actions. In a liberal democracy, constitutionalism is not used for that goal because it is ideal typically upheld in the first place. In other words, constitutionalism is given as a framework and actors act within it, not offering it to the public as an alternative.[126] Toward a competing alternative ideology, state institutions are not biased or subordinated—like in ideology-driven regimes—but instead are neutral. Hence, liberal democracy may be best classified as an **ideology-neutral regime**, reflecting its attribute of providing a neutral framework of public deliberation for the self-definition of the common good by the people.

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[123] Cf. Krémer, "The Social Policy of the Mafia State and Its Impact on Social Structure"; Moiseev et al., "Social Policy in Russia."

[124] Cf. Váradi, "Nothing But a Mafia State?," 308.

[125] Kis, "State Neutrality."

[126] True, political actors of the institutions that are there to protect the constitutional order (like a constitutional court) do use constitutionalism to justify their actions. But they do not use constitutionalism to win popular support, because such bodies are not elected (precisely because constitutionalism *per se* is not part of political competition). See Sajó, *Limiting Government*, 225–44.

6.4.1.4. Ideological covers fitting to elite interest and the adopted political family

While ideology-applying actors can and do vary their portfolio of ideological panels, there are some panels which are more stable and used repeatedly, or at least more often and with respect to a larger number of specific issues. Indeed, **the frequency of the use of an ideological panel is directly proportional to its logical vagueness.** If any kind of policy can be attached to a certain panel, an ideology-applying actor can exploit this flexibility and use the panel to a range of different issues. However, at the other end of the scale, if a panel is issue-specific, that is, it provides justification to a concrete step or action then it can and will be used only for a specific issue and not for others (e.g., technocratic pro-arguments in formal statues' rationale). Ideal typically, **an ideology-applying actors' arsenal** is composed of **a large variety of issue-specific panels**, chosen and dropped at will and overall inconsistently, and **a smaller number of larger, vague panels** which are also less often changed. Also, the issue-specific or less vague panels are also attached to the more general and larger vague panels, which hence become a stable backbone of the narrative and a point of reference to which all the other panels relate.

In particular, some of **the most vague** and most frequently used panels are provided by **populism**. The actor uses an ideology that makes his decisions unquestionable and his unconstrained rule legitimate, realizing the patronal appropriation of the interpretation of the common good [→ 4.2]. Anything an ideology-applying populist labels as "national" or "in the people's interest" becomes legitimized, regardless of the policy's content; and he monopolizes the use of this panel and therefore the right to declare what is national and what is not. The same appropriation can be realized by **less vague panels** as well, which are more streamlined to the specific character of the regime. Let us take **the example of patronal autocracy**, the power of which is based on an illegal extension of the competences of the head of the patriarchal family to the whole nation [→ 2.4.5]. In the patriarchal family model, the household of the head of the family includes blood relatives and adopted relatives; high- and low-ranking servants of the household and the land; and individuals who provide various, loosely related services. The head of the patriarchal family disposes over people, possessions, and statuses.[127] The mafia state realizes this on a national level as it eliminates the autonomous status of people belonging to various groups of society, and trying to subordinate them to itself, in accordance with the traditional patriarchal family model. While this does mean a realization of power monopolization (as well as personal-wealth accumulation) in line with elite interest, it is a more specific form of it to which more specific ideological panels can be attached. **The coherence of the system consists in the cultural patterns of the nature of patriarchal domination, as well as those ideological panels that are built on and are in accordance with those patterns**, even if they are assembled from various value systems.

Of course, not all ideological panels readily match the behavioral patterns of this type of power. For example, those ideologies that stress the autonomy and the freedom of the individual are alien to it as the role of the patriarchal family head is easier to reconcile with elements of collectivist ideologies that allow domination over the household.

[127] Weber, *Economy and Society*, 1006–10.

However, not all collectivist ideologies can be reconciled with this function either. The class-based and internationalist collectivism of Marxism-Leninism is not suitable for the ideological legitimation of the patriarchal patterns of power. Therefore, a mafia state mostly ends up picking bits and pieces from the ideological inventory of right-wing authoritarian systems.[128] To give an example, one panel the adopted political family can use is **extreme conservatism**. Naturally, this ideology is not used as a whole, and even the elements from it that are incorporated into the mafia state's ideological arsenal may be decomposed and reframed for the purposes of legitimization.[129] But the foundation of the argument holding that national or religious culture must be protected and no one should be permitted to deviate is kept **to legitimize societal patronalization** and eliminate societal autonomies marked out by propaganda as deviant and breaking the "normal" order of society. It can be noticed that the ideology is indeed a cover when it is not applied consistently: **individually, the members of the adopted political family gain impunity and can follow any lifestyle they please**. However, when NGOs are formed to protect groups and promote critical thinking, that is, a discourse which is fundamentally based on human rights and constitutionalism, **the argument of extreme conservatism can be used to delegitimize** such **opposition-leaning activities** (as in the case of Russia).[130] Arguments for the normal order of society can also be used against social mobility and practically any kind of social change, which—in the case of a patronal autocracy—portends a crackdown on revolts against the patronal hierarchy of the single-pyramid network. In Belarus, for example, the official state ideology—which chief patron Lukashenko himself described as an eclectic combination of Marxism-Leninism, conservatism and liberalism[131]—has argued for preserving national culture vis-à-vis the spread of liberal values and attitudes through "ideological education," realized by state institutions and various TRANSBOs like youth organizations and trade unions. "It is clear from the practice of ideological work," Uladzimir Rouda points out, "that this system of ideas […] in no way limits the current government. On the contrary, it serves to ensure the achievement of pragmatic goals set out by Lukashenko: to strengthen his personal control over the state apparatus, the education system and the media."[132]

Another set of examples can be found among **the panels the Hungarian mafia state uses to legitimize personal-wealth accumulation** in general and illegal favoritism and predation in particular (Table 6.7).[133] The example of Hungary, while having its own (economic) specificities that influence its panels, is representative in terms of patronal autocratic functioning, and many of its panels are similar to those of other post-communist chief patrons. For one thing, they are all populists and use the "national interest" argument in the context of wealth accumulation, too, interpreting favoritism or economic patronalization as important elements for the realization of the common good. Indeed, the general

[128] Csepeli, "The Ideological Patchwork of the Mafia State."

[129] For the seminal work achieving this, see Dugin, *The Fourth Political Theory*.

[130] Wilkinson, "Putting 'Traditional Values' Into Practice."

[131] Lukashenko, "O Sostojanii Ideologicheskoj Raboty i Merah Po Ee Sovershenstvovaniju [On the State of Ideological Work and Means of Its Improvement]."

[132] Rouda, "Is Belarus a Classic Post-Communist Mafia State?," 267–69.

[133] For a comprehensive analysis of the Orbán regime's narratives, see Madlovics, "A maffiaállam paravánjai."

populist ideology—as the backbone of the narrative—is also referenced in the more specific panels we discuss below. Yet those have their own more concrete and issue-specific structure. Each of these more concrete panels contain (1) a specific chain of reasoning, including a "diagnosis" of a problem of the market economy and competitive markets, or some past events that are, in the narrative, associated with them, and (2) a proposed "therapy." However, just as in the case of populism, there is no logical connection between the diagnosis and the realized therapy—and **every one of the following panels aim at delegitimizing opposition, particularly opposition to changing existing structures the panels criticize**.

Table 6.7. Ideological panels applied to cover personal-wealth accumulation in the Hungarian patronal autocracy.

<table>
<tr><th>Action</th><th>Ideological panel</th><th>Chain of reasoning</th><th>Covering ability
(functional consequence of the reasoning)</th></tr>
<tr><td rowspan="2">Illegal favoritism</td><td>Statism</td><td>Free-market ideology has not led to affluence (but to crisis in 2008) → the state should help the national economy (e.g., by building a "national bourgeoisie")</td><td>Discretional favors to inefficient actors become legitimized → market coordination can be replaced by relational coordination</td></tr>
<tr><td rowspan="2">Anti-liberalism</td><td rowspan="2">(Neo)liberal policies have led to the rule of multinationals and high public debt → the state should reverse that via intervention</td><td rowspan="2">Discretional budgetary and regulatory intervention become legitimized → the adopted political family can patronalize any (previously free) economic sector</td></tr>
<tr><td rowspan="2">Illegal predation</td></tr>
<tr><td>Justice making</td><td>The previous elite gained its wealth fraudulently (during privatization) → the state should take the property from the bad and give it to the good</td><td>Discretional takeover of non-monetary property becomes legitimized → the adopted political family can take the assets of any of its opponents (targets)</td></tr>
</table>

The first panel that is used specifically to legitimize illegal favoritism is **statism**. The chain of reasoning in this case starts with a **general distrust toward market coordination**, tying it to crises that have indeed fuelled skepticism about capitalism and a surge of anti-capitalist movements on a global scale.[134] As a political scientist from Orbán's adopted family explains, after the great economic crisis of 2008, "when the neoliberal belief of the omnipotence of the markets failed and those who fanatically believed in it could turn to only one entity, the state as a sovereign, not only market actors went bankrupt but […] the liberal ideology and the Western polity of the post-Breton Woods system as well."[135] This formulation already contains the next step of the argument, that—as ideology-applying populists argue—the state should step in and help the national economy, restart growth and give support to such "national champions" who combine competitiveness with a commitment to the nation. Simply, the state should build a "national bourgeoisie" and promote development with state intervention, like a developmental state [→ 2.6]. In the words of Tellér, the government starts a "cycle of 'reward–performance–reward' [that constitutes] a sort of political 'womb' in which the new, well-performing part of society is being shaped

[134] For an overview, see Tormey, "Anti-Capitalism."

[135] Zárug, "Leviatán ébredése [The awakening of Leviathan]," 127.

and where it is allowed to grow."[136] Hence, as another ideologist said outright, "[what] is called corruption is in effect Fidesz's most important political aim. What I mean is that the government set such goals as the formation of a class of domestic entrepreneurs, the pillars of a strong Hungary both in agriculture and in industry."[137] (Similar arguments for a "developmental" state have been used by Central Asian patronal autocracies like Uzbekistan and Kazakhstan as well.)[138]

While liberal critiques often comment on the public-policy rationality of the state building up capitalists, the economic soundness of the argument is irrelevant. For it is not followed by the policy program it asserts, or more precisely: **the concrete policy it is used for does not derive from it**. The only thing such an argument legitimizes is giving (discretional) favors to inefficient actors. But **it does not follow from general statism that those who are loyal to, or even blood relatives of, the chief patron should become the "national" champions**, nor that someone should become suddenly "non-national" in the moment he becomes disloyal [→ 3.4.1.4]. Indeed, the narrative becomes true only if we substitute (1) the adopted political family and their interests for the nation and national interest and (2) the relationship between those who are involved in this cycle of mutual support for the relationship of patron and client. But such substitution, that would make the narrative consistent with two fundamental elements of patronal autocracy, is far from obvious, and indeed nothing in the original chain of reasoning necessitates it. Hence, statism from a patronal autocrat is a cover ideology, which only serves to push anyone who opposes economic patronalization to the side of the illegitimate free-market *status quo*.

The second panel, used for both illegal favoritism and predation, is **anti-liberalism**. This notion again originates from a distrust, but not against market economy as a whole but more specifically **against certain "neoliberal" policies** that "led the nation astray." This may contain practically any kind of criticism against more liberal acts of previous times: the "unconditional" acceptance of foreign capital, the "unchecked reign" of multinational companies (banks etc.) at the expense of national workers, privatization of "the nation's wealth," accumulation of state debt, and so on.[139] The proposed therapy in this case is again the state, but not in the spirit of a general belief in it but as a mandate to reverse these concrete processes by the means of state intervention. As a leading economist of the Orbán government writes, "the accumulated problems and tensions in Hungary were present not only in the economic but also in the social sphere, due [among other things] to the loan-based prosperity of the previous eight years, followed by economic collapse. […] In this situation, with the support of a two-thirds majority in parliament, the government has not shunned conflicts and has initiated radical changes in almost all areas of economic policy. […] In short, the new government defined the purpose of the common good primarily as the joint realization of an active labor market and, where necessary, a state that strongly represents the national interest. This marked a radical change from the practice of the pre-

[136] Tellér, "Született-e 'Orbán-rendszer' 2010 és 2014 között?," 361.

[137] Lánczi, "Viccpártok színvonalán áll az ellenzék."

[138] Kudaibergenova, "The Ideology of Development and Legitimation." Also, see Chapter 2 [→ 2.6].

[139] As explained by Orbán in his infamous Tusványos Speech, where he announced that he had been building an "illiberal state." Orbán, "A munkaalapú állam korszaka következik."

vious twenty years, which had been based on […] the so-called Washington Consensus, proposed by international institutions and based on neoliberal economic philosophy."[140]

Again, this argument is used as a cover for patronal policies: **discretional budgetary and regulatory intervention** (used in both favoritism and predation [→ 5.5.4.1]). The arguments against neoliberalism delegitimize the idea of constraining the state from entering any market, whereas the attack on multinationals justifies inhibiting their functioning by regulation and taxes while giving discretional support to their local competitors. But **it does not follow from this that the supported ones have to be**, from the numerous economic actors in the country, **the loyal oligarchs and front men of the adopted political family**. Yet it is precisely the rent collection of those who fit the anthropological character of the adopted political family [→ 3.6.2] that is ensured through discretional intervention, as the state "picks the winners" in the economy and the intensity of (foreign) competition decreases [→ 2.6].[141] Furthermore, while fewer mobile foreign companies are forced to pay protection money or taken over, the more mobile ones are either left alone or can even be attracted to the country with tax cuts and other discretional favors. In Hungary, where the economy is more interwoven into foreign markets than other patronal autocracies, such agreements have even taken a formal shape: the government makes so-called "strategic partnership agreements" with multinationals [→ 7.4.5]. Much of what these partners produce is not sold on Hungarian markets, and so it is impossible to dictate an appropriate profit through laws, but at the same time they give jobs to Hungarians and pay taxes on their wages here. With respect to ideology, what needs to be seen is the **discrepancy between the pragmatic double standards concerning multinationals and the strong anti-multinational rhetoric**, which again indicates the cover nature of anti-liberalism.

Finally, the panel that is used specifically to justify predation is **justice-making**. The starting point of this panel is the **unjust nature of an initial ownership-structure**, formed by fraudulent means such as power transformation during the privatization period [→ 5.5.2.2]. Based on this diagnosis, the proposed therapy is one of political reorganization of the ownership structure, taking the properties from the unjust owners and giving them to the just ones (the "national" actors—to tie this panel back to the general backbone of populism).[142] András Lánczi, one of the chief ideologists of Orbán and rector of Corvinus University, makes this argument eloquently: "It is a crucial issue how we judge the ownership rearrangement of the regime change. There was a period of spontaneous privatization right before the regime change, when those who were close to communist power could lay their hands on state property easily and unlawfully. Although this ended soon, the legal privatization later gave opportunity to many comrades, through several different conditions, to accumulate wealth. […] No one should bewitch me by saying what happens today is 'stealing' or 'corruption.' No, a political revolution is taking place with economic consequences. […] The stake of an election is always a principle: democratic representation means not only who is elected by the people but also whether the sense of justice is satisfied

140 Barcza, "A magyar gazdasági modell [The Hungarian economic model]," 26.

141 Orbán, "Száz év szorongás [One hundred years of anxiety]."

142 Mihályi, "Votes, Ideology, and Self-Enrichment."

or not."[143] (Similar arguments, as well as the revision of privatization has been a central topic in other post-communist countries as well.)[144]

The functional consequence of justice-making is to legitimize discretional reorganization of ownership structures, with the chief patron having complete freedom in choosing the beneficiaries as well as the targets of property takeover. This is not obvious as the argument is about the fraudulently gained wealth of nomenklaturists and outsiders, who could be identified as a concrete group of people whose property should be taken (according to the narrative). But the way the argument is put declares the initial ownership structure unjust as such and therefore frames (1) every opposition to reorganization an unjust defense of the status quo and (2) every act of reorganization (predation) as a realization of justice. Thus, there is no room for questioning the targets of predation, whereas the chief patron achieves the **patronal appropriation of the interpretation of justice**.

Providing a position of unquestionable morality, the panel of justice-making grants the adopted political family complete freedom in choosing targets for predation. In fact, as we have explained in the previous chapter, numerous factors are considered in the stalking phase when the predator chooses its prey [→ 5.5.4.1], and none of those factors actually follow from the justice-making argument. Justice-making is a cover precisely because, while it is applicable to every act of predation, the actual acts of predation cannot be derived from it. Furthermore, similar to the arguments above, the group of beneficiaries does not follow from the argument either, meaning it cannot be derived why the oligarchs and poligarchs (and blood relatives) in the adopted political family are the "just" recipients and not others. Indeed, if a policy can be derived from Lánczi's argument, it would be (1) a single act with (2) more specific targeting of the owners actually getting wealth fraudulently and (3) normative redistribution of property to those who are to be reimbursed (presumably, the people [→ 5.5.2.2]). That redistribution is discretional and moves property specifically to the ownership orbit of the adopted political family is not explained by justice-making but only by elite interest—hence we can say the ruling elite indeed acts to promote its interest. In other words, as justice-making does not explain the actions of the state, we have no reason to believe it is actually driven by such an ideology. What we do have a reason to believe is that the state runs on elite interest, because that principle has explanatory power, whereas justice-making is an ideological cover with the content of "justice" being defined and re-defined in a functionality-coherent way, following the goal of personal-wealth accumulation of the adopted political family.[145]

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[143] Lánczi, "Mi a tét? [What is at stake?]."

[144] Denisova et al., "Who Wants To Revise Privatization?"

[145] Some opponents to our understanding have argued that our description and the mafia state's self-description should be used simultaneously—say, that it indeed acts by justice-making but has a peculiar interpretation of justice, which is elite interest. Yet this goes directly against Occam's razor and the principle of simplicity (parsimony). If we have a theory that explains the workings of the state (elite interest), then including a new element that explains some of the same workings again (justice-making) is pure redundancy. Hence, justice-making and other, low-explanatory power panels for the description of the mafia state should be treated only as parts of communication, not as actual explanatory principles of the regime. See Madlovics,"A 'fasisztoid mutáció' sikere? [The success of 'fascistoid mutation'?]."

6.4.2. The Demand Side: From Identity Politics to Conspiracy Theories

Up to this point, we dealt with the supply side of the political market. We defined ideologies as belief systems used by political actors to win popular support for their actions; and we distinguished actors to whom ideology was a guideline—ideology-driven actors—and to whom it was not, just a reference that granted them legitimacy for a range of actions—ideology-applying actors. But in either case, ideology was a "political product" that is "sold" and supplied by political actors. At the other end of this dynamic, **the people constitute the demand side of the political market** who "buy" the ideologies that are being supplied [→ 4.3.3.1].

In this part, we focus on this demand side, particularly the demand for populism, and how ideology-applying populists exploit this demand with appropriate supply. First, we provide a brief overview of the roots and uses of identity politics by populists. Second, we move on to the triad of God-nation-family as the cornerstones of identity for the people and functional elements for ideology-applying populists. The third element is the definition of the "enemy," who threatens this identity in the populist narrative and chosen in a functionality-coherent way by the supplying actors. Finally, we show how identity politics culminates in conspiracy theories and what functions they serve for both the supply and the demand side of populism.

6.4.2.1. The functionality coherence of populist demand in the West and the East

Functionality coherence is not unique to ideology-applying populists. Indeed, we can identify a **peculiar functionality coherence of populist voters** as well.[146] This functionality coherence manifests in **choosing the ideology that fits best to the aim of preserving their social and economic status**. The people's choice is not necessarily value-coherent, and they themselves are ready to accept changes in the narrative or apply it with double standards (that is, with exceptions). What matters is to have an ideology that provides legitimacy to defending their status from **threatening phenomena**, processes and people.

Threatening phenomena are different in the West and the East. In the West, according to the cultural backlash thesis of Pippa Norris and Ronald Inglehart,[147] the 1970s saw a rise in the support for socially liberal, progressive values like secularism, cosmopolitanism, open-mindedness towards diversity of lifestyles and peoples, support for LGBT rights etc. The authors attribute the embrace of post-materialist values to the satisfaction of material needs, that is, unprecedentedly high levels of existential security.[148] However, they argue that material well-being has been threatened by immigration and diversity, on the one hand, and economic grievances, on the other, especially as a result of the policies promoting globalization. As the authors point out, people "whose life chances were traditionally pro-

[146] This is not to say all populist voters are the same, only that there exists a peculiar attitude many of them share. See Rooduijn, "What Unites the Voter Bases of Populist Parties?"

[147] Norris and Inglehart, *Cultural Backlash*.

[148] See also Inglehart, *The Silent Revolution*.

tected by national boundaries […] perceive the weakening of these boundaries as a threat for their social status and their social security."[149] The main thesis of the authors is that such threats reversed the effects of the 1970s' existential security and triggered a so-called "cultural backlash:" the people reacted according to their "authoritarian reflexes" and started to demand (political) protection in the name of security—against instability and disorder—and conventionalism—against outsiders and racial/ethnic minorities.[150] The second theory, summarized in Francis Fukuyama's book *Identity*,[151] steps in at this point to explain that these processes have been magnified by the political sphere, engaging in the practice of so-called "identity politics" (see Box 6.4). Fukuyama argues that the singular identity that had been shared as a common ground by the people of a certain nation was fragmented into various identities that are at odds with each other. Ironically, after a quarter century Fukuyama has come to agree with Huntington, who in *The Clash of Civilizations* criticized Western intellectuals for attacking national identity and splitting it up by emphasizing group rights (instead of individuals' rights). In 1996, Huntington argued that Western civilization should reject "the divisive siren calls of multiculturalism;"[152] in 2018, Fukuyama registers the divisions, or the "series of ever-proliferating identity groups inaccessible to outsiders,"[153] and attributes them to multiculturalism. More precisely, he blames identity politics that elevated marginalized groups not as accepted parts of a common nation but as exclusive "tribal" identity groups that are different from, and are entitled to privileges vis-à-vis, the rest of the society. Fukuyama argues these changes have fueled right-wing identity politics, for societal groups that had had a strong standing in the social hierarchy started to feel neglect and a relative loss of status as they perceived sub-national identities—like women, ethnic/racial groups, or LGBT people—becoming higher priorities for policy-makers. Egalitarian changes in general and policies like affirmative action in particular bring a feeling of unfairness to the "loser" or neglected groups, such as white male workers. The preferred groups are seen as over-emphasized, competing identity groups defined against the losers, their

Box 6.4. From identity to identities within the nation.

"The modern concept of identity unites three different phenomena. The first is thymos, a universal aspect of human personality that craves recognition. The second is the distinction between the inner and the outer self, and the raising of the moral valuation of the inner self over outer society. This emerged only in early modern Europe. The third is an evolving concept of dignity, in which recognition is due not just to a narrow class of people, but to everyone. The broadening and universalization of dignity turn the private quest for self into a political project. […] Each marginalized group had a choice of seeing itself in broader or narrower identity terms. It could demand that society treat its members identically to the way that the dominant groups in society were treated, or it could assert a separate identity for its members and demand respect for them as *different* from the mainstream society. Over time, the latter strategy tended to win out. […] *Multiculturalism* […] became the label for a political program that sought to value each separate culture and each lived experience equally, and in particular those that had been invisible or undervalued in the past. While classical liberalism sought to protect the autonomy of equal individuals, […] multiculturalism promoted equal respect for cultures, even if those cultures abridged the autonomy of the individuals who participated in them. [Identity politics brings] a focus on newer and more narrowly defined marginalized groups [and] diverts attention from older and larger groups whose serious problems have been ignored. […] Rural people, who are the backbone of populist movements […] often believe that their traditional values are under severe threat by cosmopolitan, city-based elites. […] Identity politics is the lens through which most social issues are now seen across the ideological spectrum, [and] identity groups begin to see one another as threats."

– Francis Fukuyama, *Identity: Contemporary Identity Politics and the Struggle for Recognition* (London: Profile Books, 2018), 37, 107–20.

149 Norris and Inglehart, *Cultural Backlash*, 136.

150 Norris and Inglehart, *Cultural Backlash*, 87–132.

151 Fukuyama, *Identity*.

152 Huntington, *The Clash of Civilizations*, 307.

153 Fukuyama, *Identity*, 122.

social position, and original (conservative) values.[154] Contrasted to Norris and Inglehart, Fukuyama's thesis is the other side of the coin: the people not only feel grievances and demand stability, but they blame the establishment and perceive them as sacrificing their well-being on the altar of narrow marginalized groups. **Populism**, in turn, **is the reaction to these social processes and the lived experience of the neglected people**. As Cas Mudde puts it, "populism is an illiberal democratic response to undemocratic liberalism."[155]

In the East, or more precisely the post-communist region, similar processes could only take place in the Western Christian historical region, where ideology-driven, liberal forces could rule for a substantial period of time and implement policies for both globalization and minorities.[156] Indeed, **the Western experience only serves as a deterrent example** for most Eastern populists, who present themselves as the protectors from those who would bring the same kinds of problems to their nations. In particular, (1) the ideology-driven centrist opposition and civil society (multinational NGOs etc.) and (2) various minorities and societal groups that are privileged in the West are presented as threats to the social status and order of the people, that is, the majority.[157] As Yavlinsky recalls, in Putin's rhetoric "the aggregate image of the West is a natural common enemy for a panoply of different currents and forces inside Russia that espouse an idealistic view of 'traditional' society and set it up against the present-day postindustrial society, which they see as 'corrupted' by 'virulent' forces of liberalism."[158] Furthermore, he correctly notes that such portrayal of the West "as the main and virtually the only foreign enemy of the nation logically flows from the Russian establishment's favorite message, wherein those who criticize the Russian government are against the Russian people and are influenced from abroad,"[159] which is also the core anti-pluralist message of populism in patronal autocracies [→ 4.2.3].

Yet Eastern populists do not simply construct their demand: they give answers to **pre-existing social tensions**. In post-communist countries, at the time of the collapse of the Soviet Union a significant proportion of society expected that, upon adopting a Western-type establishment, the standards of living would also shortly be on a par with the West. Yet the fall of the large monolithic systems of repression was followed by unprecedented new forms of personal day-to-day vulnerability:

- **the people experienced the crisis of economic transformation**, with attributes we have mentioned above [→ 6.2.2.4]. This meant that the support of the open-access order that followed the regime change immediately plunged, not only because it pushed large portions of society into existential anxiety but also because it failed to deliver the promise of providing Western living standards;

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[154] Fukuyama, 116.

[155] Mudde, "The Problem with Populism."

[156] Magyar, *Post-Communist Mafia State*, 25–38; Kovács, "The Post-Communist Extreme Right: The Jobbik Party in Hungary."

[157] For ideological works taking this position, see Dugin, *The Fourth Political Theory*; Schmidt, *Nyugaton a helyzet változóban [All Loud on the Western Front]*.

[158] Yavlinsky, *The Putin System*, 94–95.

[159] Yavlinsky, *The Putin System*, 94.

- **the privatization process was seen as unjust**, either because of the instances of various forms of power-transformation [→ 5.5.2.2] or simply because most of the population was left out of it, creating a general feeling of having been cheated out of the "common property" (which it never was in fact). True, in countries where free distribution was carried out, citizens could have their share from previous communist property, but eventually a relatively small circle of people became wealthy by the means of privatization while most of the population did not. This caused general resentment among the non-winner (loser) groups.[160] The legality of such actions has also been continuously questioned; beyond the numbers we quoted earlier [→ 5.5.1], we may just mention that in 2006, three-quarters of a representative sample of Russians "agreed" or "more or less agreed" that the privatization of industrial enterprises was conducted with "major violations of the law;"[161]
- **oligarchic anarchy and low levels of institutionalization** in countries like Ukraine and Russia led to widespread uncertainty in terms of contracts and property rights, especially for entrepreneurs. Economic actors could feel vulnerable as competitors, suppliers and sometimes even prey to the bureaucracy, local oligarchs and multinational corporations. And in general market success or failure have had troublingly little to do with actual performance or consumer service;
- **inequalities grew in terms of income and wealth**, partially as a result of the previous factors but also because of high levels of patronalism. Indeed, post-communist peoples have seen high levels of market as well as patronal inequalities [→ 6.2.2.1], stemming from different periods of privatization and market economy, the oligarchic anarchy of transitions, and/or patronal democracy. As Frye has shown, inequality contributed to the level of political polarization in the region.[162]

These factors have been exploited by **populists**, who **provided a narrative drawing a clear causal relationship between such problems and markets, liberal political elites and imperialist political and economic actors.** In Russia, as Politkovskaya writes, "'democrat' became literally a dirty word: people changed the word 'demokrat' to 'dermokrat' (shitocrat). It became current not only among fanatical Communists and Stalinists but among the majority of the population. The 'dermocrats' had given Russia hyperinflation, made them lose the savings they had carried forward from Soviet times, […] and presided over the Russian government's currency default."[163] In Orbán's Hungary the period from 1990 and 2010 have been described as "two turbulent decades" in the official Declaration of National Cooperation.[164] "Liberal" became a swearword in Hungary, too, often condemned by Orbán in his speeches,[165] whereas the Hungarian patronal media routinely uses privatization, the

[160] Denisova et al., "Who Wants to Revise Privatization?"

[161] Frye, *Property Rights and Property Wrongs*, 174.

[162] Frye, *Building States and Markets After Communism*.

[163] Politkovskaya, *A Russian Diary*, 183–84.

[164] Hungarian National Assembly, Political Declaration 1 of 2010 (16 June) of the Hungarian National Assembly on National Cooperation.

[165] Holmes, "Democracy for Losers."

liberal party SZDSZ, and socialist Prime Minister Ferenc Gyurcsány as boogeymen who pushed the country to "the brink of bankruptcy."[166]

Accepting the constructed causal relationship, populist voters in the post-communist region developed the same feelings of **victimhood and resentment** as their Western counterparts—and they have found the same kind of **redemption** in the populists' offer, too.[167] Practically—as we show in the next parts in detail—populists started their own brand of identity politics: **the above-mentioned social groups have been given a general identity—"the people" or "the nation"—and populists identified that as the to-be protected identity group**. This underpins what we explained in Chapter 4, namely that populists argue they are the only true representatives of the people and the national interest, whereas all the other political actors are illegitimate [→ 4.2.3]. On the demand side, the people are told that, when their social position is threatened, then it is indeed "the people" or "the nation" (the national interest) that is under attack. On the supply side, ideology-applying populists use the concept of "nation" as an ideological cover, and (1) legitimize their actions as necessary for the promotion of the national interest and (2) present every critical voice as anti-national.

6.4.2.2. "Us:" achieving bilateral functionality coherence by the panels of God, nation, and family

The populist narrative is constructed on a Manichean **"us and them"** opposition, in the vein of the exclusionist identity politics Fukuyama described.[168] The first step to construct such a narrative is to delimit **"us,"** that is, a common discursive identity. As Ernesto Laclau explains, group feelings of loss and resentment "would not go beyond a vague feeling of solidarity if they did not crystallize in a certain discursive identity [...]. It is only that moment of crystallization that constitutes the 'people' of populism." But Laclau also notes that this identity is not "ancillary to the demands" but instead "reacts over them and, through an inversion of relationship, starts behaving as their ground."[169] The point is, even if "us" is constructed by forging actual "loser" groups, the resultant identity cannot be seen as the mere sum of partial interests. On the contrary, it will be **a new collective identity with a scope and function of its own**. The populist who forges "us" not only chooses which (loser) groups to include in the first place, but he will have an exclusive right to define who belongs to "us" afterwards as a result of the patronal appropriation of interpretation [→ 4.2.3]. In other words, **the populist realizes the appropriation of interpretation of identity**, as he becomes its only legitimate definer.

For ideology-applying populists,[170] the appropriation of interpretation is what ensures that the common identity can be used in a functionality-coherent way. However,

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166 Balogh, "Orbán's Revisionist History"; Tamás, "A Gyurcsány-eset [The case of Gyurcsány]."

167 Pappas, *Populism and Liberal Democracy*, 110–16.

168 Cf. Krekó et al., "Beyond Populism: Tribalism in Poland and Hungary."

169 Laclau, *On Populist Reason*, 93.

170 For the purposes of our framework, we narrow the following discussion to ideology-applying populists. Nevertheless, many of our conclusions are true to ideology-driven populists as well, who follow the same discursive pathways.

what they achieve is indeed a **bilateral functionality coherence**, meaning that they create an identity that **fits to the demand side's pragmatic considerations**—justice-making and defense against threats to their status—**as well as to the supply side's**—a legitimizing cover for power monopolization and personal-wealth accumulation. One way to reach this is to use the simple notion of "the people," under which loser groups (with actual grievances) and threatened groups (with potential grievances, heralded by the populists)[171] can be gathered. Another, more complex but also—in the post-communist region—very effective method is what may be called **value appropriation through redefinition**. This means that **the ideology-applying populist builds on existing identities, linked to traditional communities of mutual protection**. These identities are engraved in the people's minds as values which, if respected, ensure survival and defense against external threats.[172] The most important of such communities are three: **spiritual community (God), ethnic community (nation), and the family**.[173] In times of crisis, the people return by reflex—to take Norris and Inglehart's word—to these secure communities, which therefore are functionality-coherent for the people and provide a particularly apt system of values that the populists can build on. However, to make them functionality-coherent for **the populists**, too, he does not simply use these identities as they exist but **gives each a new, specific meaning** (redefinition) from which **everyone is excluded who does not support the populists**, who thus becomes the only legitimate representative of the given community (value appropriation).

In actual cases, the process of value appropriation is often done in a single step, simply by starting to use the concept in its new meaning and within the context of the new (populist) narrative. For instance, Klára Sándor describes the way Orbán and his party Fidesz appropriated "nation" as follows: "By attempting in every possible way to overlap the meaning of the phrases 'nation' and 'Fidesz supporter'—even by appropriation of the national symbols, or the constant emphasis on the notion that they are the nation[…]—Fidesz […] appropriates all our common values that we can associate with the concept of nation—such as patriotism, our shared culture and history—and tries to divest all those who do not belong under what they call 'the only banner' or 'the only camp' of their Hungarian identities, and declare all of their political opponents illegitimate. […] Fidesz strips its opponents of intellectual and moral property in a symbolic space."[174] Yet it is worth making an analytical distinction between **three steps of the process**, in order to understand what logical steps the concepts must go through to get streamlined into populist supply and demand (Figure 6.1). The first step may be called **selection**, when the populist selects from the given traditional-community identity the attractive elements, that is, the ones that can serve his elite interest. Besides certain substantive elements, this typically includes the **symbols** that are associated with the to-be appropriated value, for the politicized use of its symbols can bind—visually as well as orally—the given traditional community to the populist and his camp (while detaching it from the non-populists). The second step, in contrast, is **deselection**, when those elements are dropped from the concept's definition that do not

[171] Cf. Pappas, *Populism and Liberal Democracy*, 128–29.

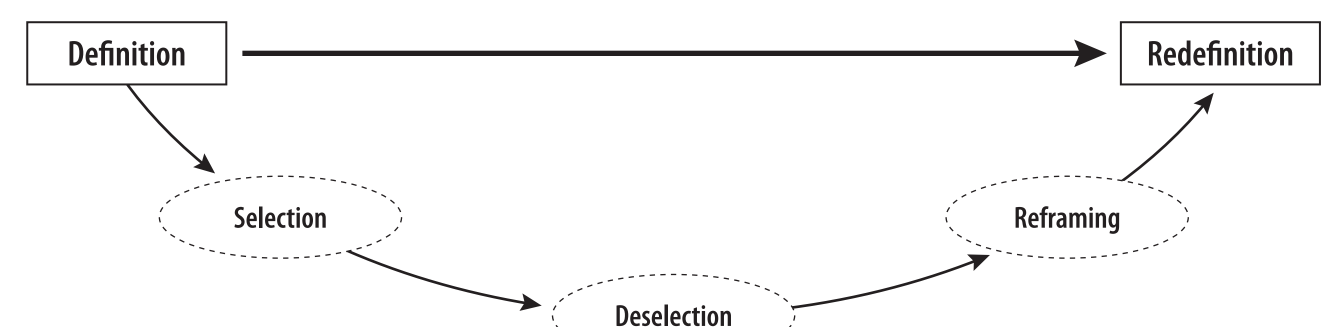
[172] Inglehart, "Mapping Global Values."

[173] Dugin, *The Fourth Political Theory*; Yavlinsky, *The Putin System*, 97–100.

[174] Sándor, "Miért nemzeti a trafik?"

fit to its prospective functionality. In the final step, the populist puts the refined concept in a new narrative context of “us vs. them,” that is, he performs **reframing**.[175]

Figure 6.1. The process of value appropriation through redefinition.



Let us go through the steps of appropriation of the panels of God, nation, and family. As for **God**, the element that makes spiritual community (especially in its fundamentalist, pre-communist form) attractive for an ideology-applying populist is **the rejection of rationalism and modernism in the name of an eternal law**. This is the element that is selected by the populist, who invests himself and the political community with the power of realizing a certain mystical goal. As György Gábor explains, “this means that as a trustee of the primordial base—the divine-transcendent, metaphysical will […]—and led by a sense of mission, the political power does not see its own activities as determined by economic, social, etc. rationality, but rather [refers] to absolute moral and spiritual laws […]. Politics ceases to be rational discourse, and becomes more and more reminiscent of pre-conscious religious debates, providing less and less opportunity for rational argumentation and dialogues built on rational contradictions. Rather than perceiving ever-changing situations and criteria that need to be reflected on and analysed over and over, political power perceives eternal, unchanging and unchangeable dogmas.”[176]

Yet a religion’s rationally unquestionable status is just a “shell,” together with the religion’s symbols and rituals, whereas the content that is protected by this shell is a set of religious teachings about good and evil.[177] Ideology-applying populists in the Western Christian and Eastern Orthodox historical regions[178] have selected only the shell whereas they have **deselected basic religious teachings**. On the one hand, the symbols of religion are taken over, like in the case of Russia where Putin has the Patriarch regularly broadcasting with him and his ministers, as well as blessing him after the presidential inauguration in

[175] Cf. Benford and Snow, “Framing Processes and Social Movements.”

[176] Gábor, “The Land of an Appropriated God,” 428–29.

[177] For a seminal work, see Geertz, “Religion as a Cultural System.”

[178] Islam and the third historical region are omitted from this discussion. Indeed, while Islam plays a particularly strong role in the life of Central Asian peoples, local chief patrons do not use it as the chief patrons of the two other historical regions do, as a political instrument to define “us.” For such rhetoric would risk legitimizing extreme Islamist groups and sharpen such social differences that regional leaders, after a past of religious civil wars, are careful to avoid. See Tazmini, “The Islamic Revival in Central Asia.”

the Kremlin Cathedral of the Annunciation.[179] On the other hand, basic teachings about solidarity, mercy or temperance are disregarded, both on the level of policies and the level of the adopted political family, as oligarchs and poligarchs typically live a luxurious life without a sign of religious asceticism.[180] When religious leaders criticize the lack of respect of basic teachings, they are dismissed, like the Pope himself who Orbán and Hungarian bishops confronted when he called for a humane treatment of the refugees[181] (which the Hungarian state has refused, in spite of constantly emphasizing its Christian commitment).[182]

In the final step of reframing, **God is positioned on the side of the ideology-applying populist force—the side of "us"—whereas others—"them"—are deprived of a religious stance and declared threats to, or outright enemies of, the spiritual community**. In Gábor's words, ideology-applying populists "[transpose] the domestic political faultline to [an] historical and eschatological plane, thereby creating a transcendentally based, dualistic division in political and public life. In this division, political actors are invested with the image of Good and Evil, beyond the rational analyses of their declarations, programs and behavior. This is an elementary, apocalyptic struggle, and the confrontation of the two sides has been an eternal given that does not require reflection—it is enough to appeal to committed faith, and declare that positive and negative values are distributed according to political parties. […] This […] conception of the world […] with the embodiment of the Highest Good *(Summum Bonum)* on one side and the personification of the Supreme Evil *(Summum Malum)* on the other […], expresses a need for a holy/spiritual war, which will end with us (whose political faith is universal truth) liberating humanity (or at least our own community) from the immoral, evil, sick and depraved enemy, which is a constant threat to the just."[183] In the end, **the ideology-applying populist** reaches bilateral functionality coherence: he keeps the rhetoric of religion and appropriates its symbols, maintaining the community that the people perceive as providing safety; and as "a 'suprarational,' absolutistic and exclusively emotional attitude, based on unconditional faith, is given a fundamental role"[184] in support

Box 6.5. The chief patron's undisputable moral position

"Officially, the system holds on to elections as form of legitimation of the country's supreme authorities. Yet, ideologically, elections are presented not as an opportunity to select one of several candidates competing with one another on an equal basis but as a selfless, heroic struggle of Vladimir Putin, the sole and unrivalled tsar and leader of the nation, against presumptuous attempts by outsiders, impostors, to take the throne away from its legitimate holder. Hence the conspicuous absence of the 'Chief Candidate' from presidential debates (since the autocrat cannot bring himself down to the level of personal debate with impostors); hence the aura of majestic grandeur in government media's representation of this candidate; hence the emphatic support from senior clergy of Russia's top religion, the Orthodox Church of the Moscow Patriarchate. In this framework, elections of the chief of state turn into an expression of the people's support for the authorities—which […] is based not on a hardheaded assessment of the quality of governance and the resulting quality of life but rather the notion of defending the powers that be, as the personification of the state, against their weakening […] by various 'schismatics.'"

– Grigory Yavlinsky, *The Putin System: An Opposing View* (New York: Columbia University Press, 2019), 92.

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179 Judah, *Fragile Empire*, 150–54.

180 Dawisha, *Putin's Kleptocracy*.

181 Balogh, "They Don't See Eye to Eye."

182 "Fenced Out: Hungary's Violations of the Rights of Refugees and Migrants"; "Hungary: Migrants Abused at the Border."

183 Gábor, "The Land of an Appropriated God," 430–31.

184 Gábor, "The Land of an Appropriated God," 432.

for his rhetoric **depriving opponents of moral acceptability and gaining an undisputable moral position for his actions** (see Box 6.5).

The second community ideology-applying populists appropriate, especially in power, is the ethnic community and the concept of "nation." In the selection step, it is again the community's symbolic world as well as ethnicity in general that is fully appropriated and politicized,[185] whereas the discursive element that makes "nation" a particularly attractive target is its inherent connection to "the people" and "the common good." It is not without reason that, in Chapter 4, we mentioned "the nation" and "the national interest" alongside "the people" when we described populism [→ 4.2.3]. Ideology-applying populists use these concepts almost interchangeably, and that stems from the fact that the nation, while a so-called imagined community,[186] is also an **emotionally binding community** of mutual trust and solidarity **in the name of which sacrifice can be required** from the individual citizen. It is the nation, initially defined by common culture and the political boundaries of the homeland and citizenship,[187] which also delimits the primary range of operation of the government. Hence it is common sense that, when the leaders are urged to serve the "common" good, they are asked to promote the well-being of their own country and citizens (i.e., the nation).[188]

The emotional (and therefore narrative) strength of "nation" is also related to **the history of nationalism**. Where the communist system suppressed an already developed nationhood, which had been related to widespread schooling and a high literacy rate,[189] post-communist nationalism has tended to be strong and firmly anti-Soviet. Central Europe, the Baltic countries, Georgia and Armenia are cases in point.[190] Yet "nation" has been an important narrative element in countries where it related to particular events or historical legacy from pre-communist times. In Hungary, for example, modern nationalism has been defined by the trauma of the 1920 Treaty of Trianon, stripping away about two-thirds of Hungary's pre-WWI territory and leading to general hostility and suspicion toward non-nationals.[191] In Russia, the historical legacy of the Russian Empire linked national consciousness to the Russian state as such, and those who extended the power of the state have been regarded as great national figures (whereas those who weakened it, like "liberals" after the regime change, are not). This feature naturally raises the attractiveness of "nation" for the ruling elite, whereas populists can also select **nationalism** because it **has not been linked to any particular, left- or right-wing policy program**. Indeed, this is common in the post-Soviet space: as J. Paul Goode notes, nationalism in the region "appears to be more than a mentality but certainly less than an all-encompassing ideology typical of totalitarian rule. Nationalism is not about the politics of left or right, so it maps onto either end of the ideological spectrum or, indeed, onto both ends."[192]

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185 Bozóki, "Nationalism and Hegemony."

186 Anderson, *Imagined Communities*.

187 Gellner, *Nations and Nationalism*.

188 Fukuyama, *Identity*, 124–39.

189 Darden and Grzymala-Busse, "The Great Divide."

190 Way and Casey, "The Structural Sources of Postcommunist Regime Trajectories."

191 Széky, "A Tradition of Nationalism."

192 Goode, "Nationalism in Quiet Times," 9.

Having selected the "nation," the populists **deselect the element of citizenship**, as well as the solidarity associated with it. Simply put, some people can be excluded from the nation: not everyone who is a citizen, and therefore part of the nation by its initial definition, is also automatically a national actor, and the moral obligation of the members of the nation toward him is not automatic either. This leads directly to reframing, where the "nation" is redefined for domestic politics by shifting **the divide that is normally used to define ourselves in comparison to other nations instead to divide within the country itself**.[193] Indeed, by establishing the political nation, 19th-century nationalism made all the citizens of a country equal before the law, and it was on that basis that it struggled against other national endeavors. This element of equality as well as the notion of other nations is also deselected as the "nation" is reframed for the domestic political arena. The populist can give both loser and threatened groups the identity of "the nation," telling them their—actual and potential—grievances are due to those outside the nation, whereas the populist will defend their (national) interests. In other words, the domestic incumbent-opposition nexus is represented as a fight between "national" and "non-national" forces, both of whom were regarded part of the nation by the initial definition. **The nation is no longer a common ground for society but it becomes one identity group within the society.** In the new narrative, the members of the redefined nation are in a zero-sum game relationship with those actors, groups and individuals, who are outside the nation; whereas it is the populist who recognizes and defends their true interests.

It is easy to see how value appropriation through redefinition of the nation leads to bilateral functionality coherence. **On the demand side, "nation" is narrowed to the loser and threatened groups, and the populist offers to protect their interests, particularly their social and material status.** Indeed, the populist's redefinition reconciles these groups; on the one hand, they understood nation as something inherently positive, and on the other hand, they experienced negative events associated with others within the nation (the establishment). Excluding those who "have assaulted their own nation"[194] resolves the cognitive dissonance and returns "nation" to its inherent moral purity. The narrative, just as in the case of the panel of God, boils down to a black-and-white rendering of Good and Evil. Indeed, this is what serves functionality coherence **on the supply side: as all their critics become illegitimate** ("Evil") **by definition, the new narrative eliminates the public accountability of ideology-applying populists**. In patronal autocracies, this represents what we have stressed earlier, namely that the nation indeed becomes a cover for the adopted political family. In this sense, the nation corresponds to the adopted political family and its appendages, from the head of the family down to the servants. The adopted political family uses this national collectivist ideology to promote their own elite interest, power monopolization and personal-wealth accumulation.[195]

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193 Sándor, "Miért nemzeti a trafik?"

194 As Orbán put it once, speaking about the Hungarian left. Orbán, "Magyarország jövője jövőre" [The future of Hungary for the next year].

195 "Nation" has also been noted to serve the function of promoting intra-regime stability, within the adopted political family as well as on the leaders-opposition nexus. See Goode, "Nationalism in Quiet Times."

Naturally, **the regime's material winners can easily decode this language: 'the nation' is in fact a euphemistic term for the adopted political family.** After all, they cannot say that they accumulate wealth for themselves. They know very well that when the chief patron cites the interests of the nation, he actually means them, the adopted political family. The nation is guiltless, as it is the family itself, and those who are admitted to the fold, that will be protected and absolved of all their sins. Be they secret police informers compromised in previous regimes, communist apparatchiks or common criminals—all their sins will be forgiven if only they are loyal to the adopted political family [→ 3.6.2.4]. On the other hand, **the non-winners of the regime** who have no share in riches and privileges **are offered a sense of national community and a gratification of positive and negative biases**. They are given the exclusivity of 'true patriotism' and the right to despise the active "enemies" of the nation ("the alien-hearted," "traitors" etc.) and its passive "parasites" (Gypsies, homeless, LGBT people etc.). These voters are the enthusiastic "fans," whose reward is the sense of being among the chosen ones and the legitimation of their disdain, sometimes hatred, for others.

Finally, we may analyze the appropriation of the notion of **"family."** As a basic unit of society, family has been one of the most fundamental communities that provide security for people in general and for post-communist actors of colluding spheres of social action in particular [→ 5.3.6]. Deeply rooted in culture, family is a natural community to turn to in times of crisis and in search for survival,[196] hence its protection is particularly important for loser and threatened societal groups. What makes "family" attractive for the populists, however, is that **the change of family roles is a highly politicized issue, especially by the (Western) left**. As Fukuyama reminds, Western-type identity politics "gives rise to political correctness, opposition to which has become a major source of mobilization on the right. […] Identity politics on the left tended to legitimate only certain identities while ignoring or denigrating others, such as European (i.e. white) ethnicity, Christian religiosity, rural residence, belief in traditional family values, and related categories."[197] Thus, **ideology-applying populists**, typically using the West as a deterrent example, **select from the notion of family its most traditional components**—usually the nuclear family of heterosexual parents and traditional, patriarchal domination**—and deselect everything progressive** that has been associated with it (same-sex couples, single-parent family, singles in general etc.).[198] In reframing, **the populist comes out as a protector of the traditional family** as a community of stability and security,[199] whereas the critics of the populist are presented as enemies of a stable family model, or perhaps even members of a progressive family or the LGBT community. Furthermore, **the patriarchal family model promoted in ideology-applying populists' narrative is isomorphic to the patriarchal family culture of the adopted political family** [→ 3.6.2]. Indeed, for the chief patron, leading the country is essentially the same as leading the patriarchal family, and just as there is no "subversive" autonomy but strict order in the single-pyramid network, the same discipline and patriar-

[196] Cf. Inglehart, "Mapping Global Values."

[197] Fukuyama, *Identity*, 118–19.

[198] Gábor, "The Land of an Appropriated God," 448–54.

[199] Kaylan, "Kremlin Values."

chal domination is promoted for the society.[200] Also, in the rhetoric it is very common to associate masculine properties to "us," such as strength and independence ("Russia rising from its knees" is an often-used panel of Putin), whereas "them" are consistently feminized and denied any masculine features (the opposition "throwing a tantrum" is a common image in Hungarian patronal media).[201]

The redefinition of family offered by populists is easy to mistake for a conservative understanding—indeed, it is precisely such a definition that is value-coherent with (old-fashioned) conservatism. However, that (1) for the members of the adopted political family a variety of lifestyles (including liberal ones) are allowed and (2) "family" is used in a populist context, together with a highly variable combination of ideological panels reveals that it indeed is just an element of the arsenal of ideology-applying populists. Indeed, **without taking functionality into account**, we could hardly understand the ideological stance of ideology-applying populists as **when these panels are put together, they are not value coherent but form an inconsistent mix**. For example, as Zoltán Ádám and András Bozóki point it out, "Fidesz uses religious symbols in an eclectic way in which references to Christianity are often mentioned together with the pre-Christian pagan traditions. […] In [Orbán's] vocabulary, the Holy Crown of Saint Stephen, the first Hungarian king, who introduced Christianity in Hungary, can easily go together with the Turul bird, a symbol of pre-Christian, ancient Hungarians. [He] advocates an ethnonationalistic surrogate religion in which the nation itself becomes a sacred entity and national identification carries religious attributes. Although from a Christian perspective this represents a kind of worldly paganism, and as such should be dismissed on actual religious grounds, this kind of surrogate religion is able to draw a sizable crowd of followers in Hungary as well as in other countries."[202]

It is precisely **that ideology-applying populists are recognized as "nationalists" or "conservatives" that ensures appropriation** and solidifies their redefinitions in the public discourse. For calling the ideology-applying populist a "nationalist" means that what they represent is nationalism, and what they call "the nation" is the nation. In a sense, the redefinition overfulfills its goal when people who do not belong to the populist's target audience (or perhaps even opponents of it) are also fooled by the explicit use of nationalist symbols and accept the actor as a nationalist, thus implicitly legitimizing the underlying changes in the definition of the concept. **The populist's opponents are in the trap of redefinition**, which cannot be attacked by simply pointing out the changes the populist made. For there is bilateral functionality coherence: the people are bonded to the concepts the populist also wants to use. When someone directly questions the populist's definitions, especially on the basis of constitutionalism and liberal values, the people interested in protecting their status do not see that as a reasonable argument—on the contrary, they see it as a threat.

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[200] Grzebalska and Pető, "The Gendered Modus Operandi of the Illiberal Transformation in Hungary and Poland."

[201] Riabov and Riabova, "The Remasculinization of Russia?"

[202] Ádám and Bozóki, "State and Faith," 108–13. Also, see Gábor, "The Land of an Appropriated God," 433–34.

6.4.2.3. "Them:" construction of the enemy and stigmatization as applied ideology

Alongside each panel populism uses to define "us," certain **stigmatized groups** can be discerned, which are just as integral to the functioning of the populist narrative as the definition of "us." Indeed, whenever someone defines an identity that means that he "makes an exclusive claim to generality, applying a linguistically universal concept to itself [his group] alone and rejecting all comparison. This kind of self-definition provokes counter-concepts which discriminate against those who have been defined as the 'other.'"[203] The point is, however, that this does not include by definition the element of inaccessibility, or understanding the relationship between groups as zero-sum games. However, in the populist narrative—just like in the exclusionist identity politics it subscribes to—the moral unacceptability of "them" is given, hence the groups that make up "them" will not just be different but necessarily stigmatized.

As we have seen, among the panels it is "family" that is the most specific whereas "God" and especially "the nation" are rather vague. Indeed, as the populist appropriates the interpretation of these panels, he has **a large room for maneuver to choose stigmatized groups** as well, which are presented as "anti-national" or "a threat to the traditional way of life," religion or family. Yet the ideal typical ideology-driven populist, while also appropriating the interpretation of identity, does not exploit the flexibility of the narrative. Just as he does not vary his policy positions, he will not vary his stigmatized "them" groups either, but instead focus on one or two main ones.[204] This follows directly from that he is ideology-driven, and who he chooses as a stigmatized group is not up to day-to-day political considerations.[205] In contrast, ideology-applying populists have such utilitarian, pragmatic considerations, and therefore their construction of the enemy will not be value-coherent but functionality-coherent.[206]

To map out these pragmatic considerations, we may identify two sets of societal groups from where the populist can choose for the purpose of stigmatization: **actively critical actors and passive minorities.** As for the former, it includes groups and individuals such as critical intellectuals, free media and journalists, NGOs (trying to achieve political accountability), trade unions, opposition political actors, as well as international actors and organizations which try to put pressure on the populist. **Active actors come to the populist's horizon on basis of choice, whereas passive minorities, on basis of situation**: they are selected by the populist because they are "stigmatizable," that is, by their social status they are felt by the populist voters remote enough to exclude them from traditional communities (God, nation, family) easily and renounce solidarity toward them. The ideol-

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[203] Koselleck, "The Historical-Political Semantics of Asymmetric Counterconcepts," 156.

[204] See Zúquente, "The European Extreme-Right and Islam"; Mudde, *Populist Radical Right Parties in Europe*.

[205] In ideal typical form, an ideology-driven actor is completely rigid and basically never changes his fundamental views and stigmatized groups. In real life, actors who are close to the ideal type of ideology-driven populists may make strategic decisions of dropping a stigmatized group and becoming more moderate, but these are hard and long processes precisely because they are ideology-driven. See Akkerman, de Lange, and Rooduijn, *Radical Right-Wing Populist Parties in Western Europe*.

[206] Cf. Edelman, "The Construction and Uses of Political Enemies."

ogy-applying populist must confront actively critical actors only if they have considerable **capacity of voice**, that is, wide enough media reach [→ 4.3.1.2], but it is typical that actively critical groups that appear in the media at all are automatically put in the illegitimate "them" category, usually the most vague "anti-nation" or "traitor" one.[207] Capacity of voice is a consideration in the case of passive minorities as well; yet the populist, having neutralized the institutions of public deliberation [→ 4.3], is rather free to stigmatize whichever minority he finds most appropriate according to the voter's preferences and the country's specific status [→ 7.4.1].

Analyzing the situation of passive minorities, we can say they have a certain **fear-generating potential**, generally **defined by the number and depth of cleavages between them and the populist voters** (Table 6.8). Naturally, the depth of a cleavage depends on the culture of the given country and even the historical situation (e.g., whether there is a migration crisis or not),[208] therefore we cannot fully generalize here. But to demonstrate the basic logic of selection or "the political economy of stigmatization," we may go through some of the most often stigmatized groups and analyze the cleavages serving as selection criteria, as well as the ideological panels ideology-applying populists can direct against the given groups. Starting from the group with the least fear-generating potential: **socially disadvantaged or deprived groups** like the poor, homeless or unemployed people; the cleavage the populist can build on is their social status which, in an egalitarian ideal, would be a basis for solidarity and sacrifice from the rich. This gives them a fear-generating potential, and ideology-applying populists can exploit the **lack of solidarity** by making arguments like "if we don't push homeless people out, we will end up being pushed out by them."[209] Second, **LGBT people** are a minority in terms of sexual orientation and also cultural tradition, at least as far as they often follow a more liberal lifestyle from the point of view of the populist voters and traditional family values. Their fear-generating potential, therefore, is based on two cleavages instead of one, and this can be basis for widespread stigmatization and the use of the panel of **homophobia** in more conservative countries (like in Russia).[210] Third, **religious minorities** are different in religion and cultural tradition, and the (populist) voters also attach stereotypes to them about higher social status, wealth and influence, especially in the case of the Jewish minority.[211] The three cleavages create space for **Anti-Semitism** and other discriminatory rhetoric against other religions and smaller denominations ("sects" in patronal rhetoric).[212] Fourth, **ethnic/racial minorities** are divided from the majority by four cleavages: ethnicity, language, cultural tradition, and social status (especially in the stereotypes against Roma people),[213] on the basis of which the ideology-applying populists can apply the ideological panel of **racism**, either explicitly

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207 Antal, "Politikai ellenség és identitás" [Political enemy and identity].

208 Madlovics, "It's Not Just Hate."

209 Udvarhelyi, "'If We Don't Push Homeless People out, We Will End up Being Pushed out by Them.'"

210 Wilkinson, "Putting 'Traditional Values' Into Practice"; Buyantueva, "LGBT Rights Activism and Homophobia in Russia."

211 Bergmann, "Anti-Semitic Attitudes in Europe."

212 Judah, *Fragile Empire*, 151; Gábor, "The Land of an Appropriated God," 443–48.

213 Bárány, *The East European Gypsies*.

or implicitly but in an easily decodable way for the target audience.[214] Finally, the most stigmatizable group of all is refugees or migrants, who come literally from outside the voters' homeland (nation) and often from another cultural environment as well. More precisely, an ideology-applying populist can exploit ethnic, religious, linguistic, cultural and social cleavages in xenophobic floor-monopolizing campaigns [→ 4.3.3.1] (like in Hungary).[215]

Table 6.8. Stigmatized groups' criteria to meet the needs of ideology-applying functionality.

	Cleavage dimension (potential for distinguishing 'them' and 'us')						Fear-generating potential	Capacity of voice	Ideological panel
	Ethnicity	Religion	Language	Sexual orientation	Cultural tradition	Social status			
Socially disadvantaged / deprived						X	X	X	Lack of solidarity
LGBT people				X	X		XX	XX	Homophobia
Religious minorities		X			X	X	XXX	XXX	Anti-Semitism etc.
Ethnic/racial minorities	X		X		X	X	XXXX	XXX	Racism
Refugees	X	X	X		X	X	XXXXX	X	Xenophobia

Using such ideological panels, ideology-applying populists in each country can mix what may be described as a **"psychedelic cocktail" of hate and fear campaigns**, adjusted in its (ideological) components to the specificities of the country and the given (historical/geopolitical) situation in general and the target audience in particular. However, it is important to remind us that, although they use such panels, **ideology-applying populists are not anti-Semites**. **Their targets are not 'Jews'—rather, they regard anti-Semites as a political target audience.** Their problem with banks is not that they are 'Jews' but that they are not theirs.[216] They are not racist either—they just want to win over to their camp people who have racist inclinations. Ideology-applying populists must be seen conscious and pragmatic: their actions follow the guideline of not a value-coherent ideology but elite interest with functionality coherence. Speaking about the creation of "the enemy," we already mentioned that ideology-driven populists do not vary their stigmatized groups. We can also note that, if we look at the **ideology-driven party state** of communist dictatorships, **the stigmatized group is stable in Marxism-Leninism, as is the protected group**. Both pertain to a certain class of people (the bourgeoisie and the proletariat, respectively) and the normative power policies of the party state follow logically from this ideology. In the case of **ideology-applying actors**, however, **the protected group is stable but the stigmatized group is variable**. The selection and deselection of certain stigmatized groups based on the

214 Zakharov and Law, *Post-Soviet Racisms*.

215 Madlovics, "It's Not Just Hate."

216 Cf. Várhegyi, "The Banks of the Mafia State."

current the situation, the demand and various opinion polls indicate that ideology-applying populists are utilitarian: they simply play for the target audience.

However, **an inevitable consequence** of using these panels, aimed at winning over extremist voters, **is the legitimation and reproduction of extremist**, anti-Semitic and racist **feelings and discourse**, as well as an increase in the number of people who share these feelings. In other words, the ideological panels that an ideology-applying elite elevates to the level of mainstream discourse can be represented in an ideology-driven manner by other parties, NGOs and movements that actually believe in such extremities. The competition of the adopted political family for anti-Semitic and racist voters with the extreme right increases the number of supporters of extremism by removing the obstacles to hate speech. Yet the adopted political family can use the bolstered extreme right as "auxiliary troops" or even as a domesticated party in a patronal autocracy [→ 3.3.9], at least to a limited degree.[217]

On the demand side, a sense of victimhood is cultivated in the populist voters. Naturally, as mentioned above, existing social tensions already create this feeling, whereas populists "by presenting 'the people' as a homogeneous and undifferentiated category [...] are able to blend bad feelings from disparate injustices, and amalgamate them into a comprehensive victimhood."[218] This generates the demand for a leader who protects the people and makes justice, or—as Pappas puts it—promises some metaphysical redemption.[219] However, the way "them" is defined leads to a curious change of roles: **by stigmatization, traditional victim groups are presented as victimizers**. Moreover, the stigmatized groups themselves become victims of populism in the sense that the moral control of means that can be used against them is dissolved. Belonging to the inimical "them," stigmatized groups are not simply denied any solidarity from the majority but their discrimination becomes justified. Of course, an ideal-typical mafia state does not enact directly racist laws, given it only applies ideology but does not act by it. Rather, what it can do is act against the autonomous organizations of minority groups that pose a risk to becoming political actors. But even then, collective stigmatization is accompanied by **individual shelter provision for members of stigmatized communities**. In exchange for personal krysha [→ 3.6.3.1], these people become clients and muted in issues related to their original community. They are presented by the adopted political family as evidence for not being truly anti-Semite, anti-gypsy, homophobic etc. in spite of stigmatizing campaigns. Nevertheless, the ideology-applying populist's rhetoric creates an atmosphere of hate and may also increase the tendency of lynch culture.

Victimhood leads to further psychological consequences, which then link back to the substance of populism and increase its cohesion as an ideological instrument. **The social psychology of populism** can be summed up as follows:

1. **victimhood is developed**, as the populist defines "them" as an enemy of "us;"
2. **victimhood absolves the populist voter from the moral obligation of caring about others**, as it is the victim ("us") who deserves empathy and not the non-victims and the victimizers ("them");

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217 Cf. Herpen, *Putin's Wars*.

218 Pappas, *Populism and Liberal Democracy*, 115.

219 Pappas, *Populism and Liberal Democracy*, 115.

3. **salvation leads to moral nihilism**, meaning complete indifference with respect to what happens to others (while constantly referring to seemingly universal moral values [→ 6.4.2.2]);
4. **moral nihilism leads to the rejection of solidarity**, for the populist voter no longer takes other people's interests into consideration;
5. **the rejection of solidarity allows for open selfishness**, meaning the voter can feel that he is finally free to help himself instead of others, who can be left alone without breaking any moral obligation;
6. **selfishness appears in collective egoism** as it is represented by the in-group ("us"), an imagined community that serves as a legitimizing basis for the rejection of solidarity;[220]
7. **collective egoism pulls the moral rug out from under public deliberation**, as collective mediation and aggregation of various interests makes sense only when other people's and group's interests are to be taken into account (i.e., selfishness is not absolutized in moral nihilism).

In short, the populist voters' **victimhood leads to giving up collective empathy for collective egoism**. Public deliberation is, after all, a competitive, deliberative reconciliation of egos and their interests, existing on the ground of mutual responsibility and the claim that every man is equal in terms of human dignity [→ 4.2.2]. Public deliberation is the vehicle of collective empathy, but it is—consequently—the negation of collective egoism that allows people to give up morality and empathy in favor of narrow selfishness. Denying the structured institutions of mediating the popular will, the populist already indicates that there is no need to take a variety of interests into account, only the single interest of "us" [→ 4.2.3]. **Populism dismantles moral boundaries and frees people from the burden of caring about others**, and therefore it challenges not only the institutional structure but the moral base of liberal democracy as well. This is a crucial factor in populism's appeal, especially to those people whose general experience of open-access order and liberalism was existential anxiety [→ 6.2.2.4]. Thus, the functionality coherence of "them" is bilateral: it absolves the people, who can feel they are the real victims and others' interests can be disregarded, while it also unifies them behind the populist who can freely define the enemy.

Ideology, complemented with resentment against other social groups, is what the adopted political family uses to convince those groups who are not beneficiaries of the regime to become their adherents. And just like the community of interest of the adopted political family, the emotional community of losers is also a strong cohesive force. **"Us" virtually integrates winners and losers in an imagined community**, while the actual integrity of those outside the adopted political family is not even close to those in the single-pyramid patronal network [→ 6.2]. This is why it is incorrect to speak about "tribalism" while referring to populist voters,[221] for a tribe is not an imagined community: it is a real community, based on strong ethnic and kinship ties [→ 3.6.2.4]. Furthermore, a tribe involves internal

220 Niebuhr, *Moral Man and Immoral Society*.

221 Cf. Dencik, "Neo-Tribalism."

solidarity between their members, who they define as "us." The imagined community of "us," in contrast, implies no such (horizontal) solidarity between supporters but narrow selfishness. **Populism gives individual egoism a collective subject**, and just like the rationality of elite interest overrides the values of the constitutionalism for the adopted political family, **the shared emotional framework and unleashed lack of solidarity blocks the effect of arguments** for its voters. Therefore, their empathy for those who are in a different situation is paralyzed.

6.4.2.4. The ultimate frame of interpretation: the bilateral functionality of conspiracy theories

The definition of "them" as a scapegoat and constant threat against "us" naturally leads to the use of **conspiracy theories**. While the term can be defined in various ways, for the purposes of our framework we accept the following definition, based on the work of David Coady:[222]

- **Conspiracy theory** is a theory (1) about the secret collaboration of a group of people and (2) with an uncertain epistemological status, meaning there is little or no factual evidence for it.

Indeed, conspiracy theories **follow logically from populist rhetoric**.[223] For in the Manichean worldview, everyone must belong to either side one or the other. Furthermore, the enemies of the regime—of "us"—must belong to the same group—"them." However, **in reality the stigmatized groups**, especially when they are chosen pragmatically and varied often in line with functionality coherence, **constitute a highly heterogeneous set of actors** in terms of goals and motivations. A group that includes a range of actors from active individuals to passive minorities, from opposition parties and organizations to other nations and international alliances, is necessarily fragmented. **If these actors must be together on the side of "them," then there must be a conspiracy between them**. A conspiracy theory is none more than a reductive worldview, just as the politically forged identity is a reduction of identity.[224] In the populist narrative, everything and everyone must be either good or evil, and every action or event of interest must serve either one side or the other.

Conspiracy between groups necessitates some sort of **link between the actors** (Figure 6.2). Initially, this link is immaterial when one only speaks about "conspirators" and "aliens." Populists typically take a step forward and give a more palpable form to the link by naming **a certain entity** who "pulls the strings" from the "background."[225] The populist may choose a group as the entity, such as the "Jews" or "international financial capital," on the one hand, or the "establishment" and the IMF, EU etc., on the other. In this case, the group is **anthropomorphized** and presented as if it was a singular, undivided individual with the goal of destroying "us," toward which it constantly acts. However, the entity can also be **personalized**, meaning a certain person can be accused of linking the "attacking" actors

222 Coady, "Conspiracy Theories as Official Stories."

223 Cf. van Prooijen, Krouwel, and Pollet, "Political Extremism Predicts Belief in Conspiracy Theories."

224 Cf. Swami et al., "Analytic Thinking Reduces Belief in Conspiracy Theories."

225 Douglas et al., "Someone Is Pulling the Strings."

and groups. In the post-communist region (and elsewhere), the person who is often put in this role is George Soros, the billionaire philanthropist who is known for his (1) Jewish background, (2) investment and stock market activity, and (3) active worldwide support of liberal-progressive NGOs, most importantly through his philanthropic agency Open Society Foundation.[226] These qualities make Soros a uniquely ideal person for the role of "mastermind" of conspiracy, as well as a constant face of the enemy in various campaigns of ideology-applying populists.[227]

While the link between the groups that make up "them" and move against "us" is a narrative necessity, it is typically not supported by evidence (hence, a conspiracy theory). Consequently, the way conspiracy theories manifest in the public discourse is with the mushrooming of fake news,[228] which has led scholars to talk about a **"post-truth era"** in the 21st century.[229] Yet it would be a grave simplification to describe the situation as populists wanting to present a conspiracy and fabricating news accordingly. Indeed, as a result of the populist narrative **there is strong demand for fake news and conspiracy theories**, whereas belief in the conspiracy narrative means that individual cases and facts lose their importance in the eyes of the people. For in the conspiracy narrative, there are certain roles that exist *a priori* (like the attacked "us" and the attacking "them"). The audience that views the world through the eyeglasses of that narrative will structure, interpret and even supplement reality accordingly, with the help of real as well as non-real "facts"—which, as they fit into their worldview, will be considered just as real as the "actual" facts. Simply, **the narrative creates its own reality**.[230] This is why individual cases lose their importance: the news and **facts**, real or otherwise, are not the backbone of the narrative but it is the other way around, **they are optionally changeable illustrations to pre-ordered judgments**. Individual events and actors that the audience perceives are merely illustrations of the axiom system, whereas facts are just "metaphors" or actualizations of the *a priori* distributed roles that exist in the believers' mind. Whether a fact, news or explanation is "false" or "delusional" is only determined by the person's beliefs, narratives and preconditions, that he believes to be true and wants to see confirmed.

Extreme flexibility and imperviousness to facts, as well as great explanatory power by rendering all possible phenomena in the basic narrative roles of "us" and "them," makes conspiracy theories perfect instruments for ideology-applying populists who look for an invincible cover for their elite interest. However, functionality is bilateral in this case, too: **conspiracy theories satisfy psychological needs on the demand side by providing a sense of security**. More precisely, Péter Krekó—who also takes a functionalist approach—analyzes conspiracy theories as "motivated collective cognition," which help the believer

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226 Khalaf, "FT Person of the Year: George Soros."

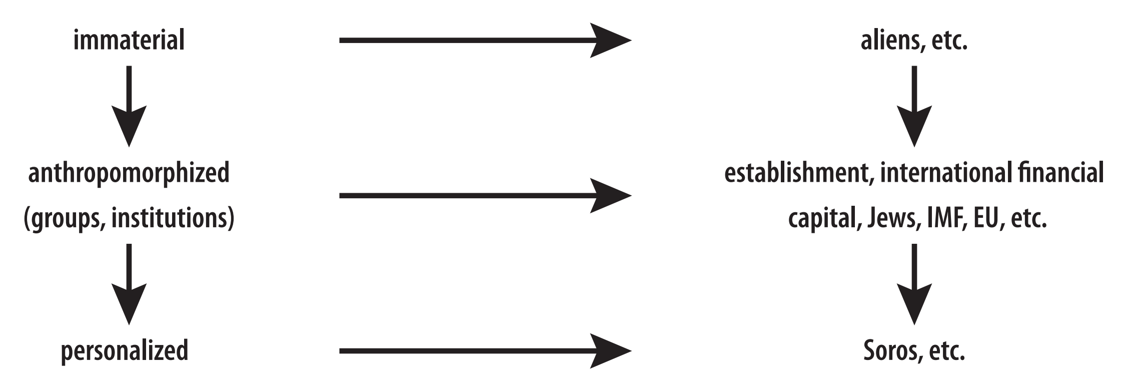
227 Gray, "The Moving Target"; Polese and Beacháin, "The Color Revolution Virus and Authoritarian Antidotes"; Bátorfy and Tremmel, "Data Visualization."

228 For a meta-analysis, see Tandoc, Lim, and Ling, "Defining 'Fake News.'"

229 Lewandowsky, Ecker, and Cook, "Beyond Misinformation."

230 As scholars at Ohio State University found in a research, "even if all external sources in the environment are disseminating factually accurate numerical information, individuals can still self-generate misinformation and, potentially, spread it from person to person." Coronel, Poulsen, and Sweitzer, "Investigating the Generation and Spread of Numerical Misinformation," 22.


Figure 6.2. Forms of conspirators in conspiracy theories.



group interpret the world in a way that it (1) fits to the group's identity and motivations and (2) offers a psychologically satisfying explanation for political events.[231] Krekó identifies **the functions of conspiracy theories for the believers** as follows:[232]

- **defending the in-group**, particularly by (1) drawing and strengthening group borders, (2) maintaining and enhancing collective self-esteem, (3) providing an outlet to hostility, (4) helping the detection of threats against the in-group, and (5) helping interpret the past in a way that fits the group's interest;
- **explanation for significant, atypical, unexpected events**, helping in-group anxiety-management and structuring difficult-to-process information;
- **justification for power aspirations of the in-group**, either by (a) motivating action to change the status quo or (b) justifying actions for the maintenance of the status quo.

In short, conspiracy theories make an initially disorganized group (or set of groups and individuals) an operational collective, possibly even in the sphere of political action. However, a conspiracy theory can be created both in a bottom-up and in a top-down fashion. In the case of bottom-up, it is created by those people who believe in it. Thus, the theory is functional for the believers, but it may not be used in a functionality-coherent way by a political actor. For instance, believing in the Flat Earth theory, as well as the worldwide conspiracy that conceals the truth about the planet's shape, may be psychologically useful for the believers, but it is not an obvious political resource.[233] However, when conspiracy theories are instituted in a top-down fashion, they also fit to the believer's psychological needs, but they are created principally to serve the interest of the creators (political actors). Conspiracy theories following the populist construction of "us" and "them" are an obvious example. Ideology-applying populists may well exploit conspiracy theories, always in line with the pragmatic day-to-day needs of deflecting criticisms ("attacks") of their practice of power and wealth accumulation.

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231 Krekó, "Conspiracy Theory as Collective Motivated Cognition"; Krekó, "Összeesküvés-elmélet mint kollektív motivált megismerés [Conspiracy theory as collective motivated cognition]."

232 Krekó, "Conspiracy theory as collective motivated cognition," 65–66.

233 On the theory, see Garwood, *Flat Earth*.

6.4.3. Populism Summarized: An Ideological Instrument for the Political Program of Morally Unconstrained Collective Egoism

Although we have dealt with populism from multiple angles in previous parts, it is only now that we can give a concise summary, taking into account both the demand and the supply sides of the ideological market. Figure 6.3 summarizes populism in a single sentence: **populism is (1) an ideological instrument for the (2) political program of (3) morally unconstrained (4) collective (5) egoism**. This definition is consistent with the coherent unity of features presented in Chapter 4 [→ 4.2.3], only it reformulates it in our terms and extends it toward social psychological consequences.

Let us go through the elements of populism in the previous order. First of all, populism is **(1) an ideological instrument** [→ 6.4.1.2]. Its argumentation runs from declaring the populist the representative of the people, whereas their opponents, the opponents of the people by definition. Hence, the populist cannot be questioned legitimately, for criticizing whatever they say or do means that one opposes the "will of the people," or—if the populist is also head of executive—the "national interest." While populism is an ideological instrument for any kind of populist, the emphasis on the word "instrument" must be stressed when we speak about **ideology-applying populists**. They exploit the flexibility of the populist narrative, using it not by value-coherence, to justify a right- or left-wing political program, but by functionality-coherence, to justify any action that serves accumulation of power and wealth (elite interest). Indeed, the more specific panels of ideology-applying populists use the same argumentation tactic as the general populist narrative: they question the legitimacy of existing structures/practices, and say that anyone who criticizes them in changing these structures/practices is actually a protector of the bad status quo [→ 6.4.1.4]. In any case, populism as an ideological instrument grants **an unquestionable moral status without reference to policy content**. This is what we have dubbed as the patronal appropriation of the interpretation of the common good, as opposed to the bureaucratic appropriation that is achieved by Marxism-Leninism [→ 4.2.4].

Figure 6.3. Populism summarized.



Second, populism is an ideological instrument for **(2) a political program**, which is an attempt **to replace the legal-rational legitimacy of liberal democracy with substantive-rational legitimacy**. As we explained in Chapter 4, substantive rationality means that, while institutions are in place and they have an important role in the legitimization and/or the operation of the system, they are not treated as ends in themselves but rather as means to

the end of the "common good" [→ 4.2.5]. Simply put, in a substantive-rational framework it becomes legitimate to disregard the written law whenever it does not serve the "common good," that is, the will of the people. However, this leads back to feature (1) and that the populist indeed manages to appropriate the interpretation of the common good. In the case of ideology-applying populists, patronal appropriation makes the political program of populism a political program of unconstrained rule of the adopted political family in general and the chief patron (the populist leader) in particular. In other words, substantive rationality will manifest as a disrespect for the rule of law in favor of any decision the leaders make, although they are subordinated—in fact—to the principle of elite interest. Rule of law is replaced by law of rule [→ 4.3.5.1].

The **(3) morally unconstrained** element of populism leads us from the supply side to the demand side, that is, to the social psychology of populism. It is grounded in the feeling of victimhood, generated by fear and hate campaigns in the process of constructing "them" and of stigmatizing them as the enemy [→ 6.4.2.3]. As the group of "us" is presented as the victim of "them," general victimhood develops into moral nihilism, that is, complete indifference toward the fate of everybody who is not "us." Thus, moral boundaries are dismantled and people are freed from the burden of caring about others, that is, undermining the solidarity that is the moral base of liberal democracy. In the post-communist region (and probably the West), this is a crucial factor in populism's appeal, especially to those people whose general experience of open-access order was existential anxiety [→ 6.2.2.4].

While many authors underscore the collectivist aspect of populism, that populism contains a **(4) collective** gets more detailed treatment in our description. Namely, the panels of God, nation and family, which separately as well as together may form a value-coherent ideology of collectivism, are redefined and mixed in the populist narrative along the functionality coherence of both supply and demand [→ 6.4.2.2]. This is summed up in Table 6.9, outlining each panel by the dimensions of the phenomenon they refer to, their function for the populist, and the stigmatized group they entail. In this context, as opposed to the liberal idea, the communities of God, nation and family are not relativized on the basis of individual or group rights but absolutized, and also forged together as facets of the bilaterally-functional discursive entity of "us." **On the demand side**, what the imaginary community generated through populist identity politics prompts a **reduction: it simplifies a multi-faceted and regularly self-reviewed identity into a simple "good" identity**, requiring no self-reflection. This provides a strong identity as well as a simplified worldview, in which defense of status is legitimized and every attempt to break it and every request to sacrifice it are de-legitimized. **On the supply side, "God" eliminates dispute—**it makes competing policies undisputable**—"nation" provides unlimited scope—**eliminates public accountability of the rulers**—and "family" legitimizes domination**—promotes and legitimizes the informal patronal network's cultural pattern of patriarchal family.

The feature of **(6) egoism** concludes our definition of populism, referring to the social psychology of populism: the populist voters' liberated individual selfishness to which populism gives a collective voice. However, it should be noticed that the arrows in Figure 6.3 point from right to left instead of left to right, the way we have presented the six elements. This is intentional. Indeed, **if we read the components in reverse order, we can see the chain of logic that provides populism's bilateral functionality coherence**. The (5) egoistic voter who wants to disregard other people and help solely himself can express

Table 6.9. God, nation and family by their functions and stigmatized groups.

Panel	The phenomenon the panel refers to	Function for the populist	Stigmatized groups
God	Moral position	(i) Depriving opponents of moral acceptability (ii) Making competing policies undisputable → DISPUTE	Atheists, liberals, etc.
Nation	Loser and threatened groups / adopted political family	(i) Excluding opposition from the nation (ii) Eliminating public accountability of the rulers → SCOPE	Opposition parties, civil society (NGOs, intellectuals etc.), international organizations, etc.
Family	Patriarchal family	(i) Stigmatizing alternative lifestyles (ii) Extending the cultural pattern of patriarchal domination to the nation → DOMINATION	Minorities (singles, LGBTQ, homeless, unemployed etc.)

this in (4) a collective more easily than alone, granting its selfishness a more noble form. Yet this collective still serves the goal of pursuing open selfishness, which is possible only if the collective (3) delegitimizes moral constraints and legitimizes moral nihilism. In the political market, this is offered to the people as (2) a political program, which is (1) ideologically instrumentalized for the purposes of the ideology-applying populist. Basically, the populist gains unquestionable moral status as he exploits the people's psychological demand for group-belonging and selfishness, who in turn find an "understanding" actor and collective amidst the difficulties of their lives.

In the end, **populism is the exact opposite of liberalism—not only in content**, opposing constitutionalism and the ideal of public deliberation that is grounded in liberal political theory, **but also in its offer to the people**. We have seen that the populist, be he Western ideology-driven or post-communist ideology-applying, reflects real social problems, or past and present phenomena that the voters recognize as endangering their material interests as well as their feelings of safety and comfort [→ 6.4.2.1]. In this situation, **populism offers problem solving without moral constraints—while dogmatic liberals offer moral constraints without problem solving**. Indeed, dogmatic liberalism tends to taboo and negate certain problems related to globalization and domestic social tensions, morally stigmatizing people affected by these problems that challenge their feelings of safety. In a way, what we can see is **reciprocal stigmatization**: populists call out "them" as the cause of all their problems, and dogmatic liberals call the voters resonating with populist messages "xenophobic," "homophobic," or worse. No wonder the people affected become receptive to the populists' more convenient solutions, which also offer them absolution from the moral stigmatization of dogmatic liberals. This process undermines the possibility of rational discourse about the people's problems: people become stuck under the spell of populism as they perceive the other side, not simply not caring about their problems but even insulting them. The limits of this book do not allow us to delve into this issue any further, but the general point is that, **when we analyze why populism is popular, the "pulling effect" of the populist narrative needs to be assessed in unison with the "pushing effect" of dogmatic liberalism**.

6.5. Modalities of Informal Governance: A Summary

In this chapter, we attempted to answer the question of why the people support patronal autocracy, or what means are used by the chief patron to ensure regime stability and avoid constant legitimacy questioning. The complement of this "exogenous stability" of people outside the leading political elite is the "endogenous stability" of the leading political elite itself. In a liberal democracy, the techniques that ensure endogenous stability are framed by the formal institutional setting. Indeed, formal institutions not only define the fundamental character and functioning of liberal democracy but also provide its skeleton: the supporting system that keeps the regime in shape. Without them, it would collapse, or at least would not be able to sustain itself as ideal type regimes can [→ 4.4]. However, as informal institutions and practices take over the formal institutional setting, formal rules, while not losing their importance entirely, are relegated to a secondary position vis-à-vis unwritten norms and interests. Thus, **the informal institutional setting becomes the regime's skeleton: various modalities of informal governance give the regime shape and character**, and endogenous stability is ensured accordingly.

In an outstanding article, Alena Ledeneva and Claudia Baez-Camargo provide a typology of modalities of informal governance (Table 6.10).[234] We finish this chapter with a summary of this article, which brings three advantages. First, the typology enriches our discussion of informality by providing a description of practices which are not strictly regime-specific and even go beyond the boundaries of the post-communist region. This way, we can discuss post-communist and other practices in a comparative manner. Second, the comprehensive analytical framework the authors provide. The article captures precisely the ways of organizing and maintaining an order characterized by the supremacy of the informal over the formal, indicating the function of each means in an ideal typical manner. Finally, summarizing Ledeneva and Baez-Camargo's article we can also provide a summary of the regime-specific, "anatomical" features of patronal autocracy that we described in Chapters 2–6. Through the authors' typology, we can revisit some of the most important actors, institutions and processes of post-communist patronal orders, and discuss them within the framework of informal governance and regime stability.

Ledeneva and Baez-Camargo distinguish **three general modalities: (1) co-optation**, the function of which is to create strong bonds of trust, reciprocity, and loyalty; **(2) control**, which involves the techniques of ensuring discipline within the power network; and **(3) camouflage**, which serves to protect the network from outsiders by means of concealing the regime's true nature. Each modality contains 3–3 types of practices, distinguished either by their direction and the actors involved (co-optation and control) or by the creative way they serve their general modality's function (camouflage).

Starting with co-optation, the first method Ledeneva and Baez-Camargo mention is top-down or **"prebendal" co-optation**. According to them, this practice "involves the strategic political allocation of public offices to key elites […]. In practice, prebendal co-optation entails the redistribution of the resources of the public sector to the private benefit of

[234] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?"

Table 6.10. Modalities of informal governance. Source: based on Ledeneva and Baez-Camargo (2017).[235]

	Actors	**Direction**	**Objects/means**	**Function** (expected result)
Co-optation	Political elites to to-be elites	Top-down (‘prebendal’)	Public offices (access to state resources) for unconditional support	Strong bonds of trust, reciprocity, and loyalty
	Political elites with interest groups or oligarchs	Horizontal (‘reciprocal’)	Influence over legislation (access to large public contracts) in exchange for financial support (e.g., electoral campaign financing)	
	Private (local) networks to public officials	Bottom-up (‘grassroots’)	Public support (e.g., voting during elections) in exchange for receiving favors (patronage)	
Control	’Old’ elites to the recruited elites	Top-down	Selective law enforcement (direct) or the threat thereof (indirect, e.g., kompromat)	Ensuring discipline within the power network
	Peer to peer (within a group or community)	Horizontal (‘reciprocal’)	Making decisions collectively and sanctioning those who deviate	
	Private (local) networks to public officials	Bottom-up	Envisaging reputational damage (vote loss etc.) in case of non-delivering	
Camouflage	Members of the power network for the (outsider) public	n.a.	Creative façades (political rituals, anti-corruption campaigns etc.)	Protecting the network
			Hidden constitutions (grating formal powers while they are de facto different)	
			Fluid identities (public officials routinely crossing boundaries to favor their private business)	

the ruling political networks and therefore also implies a privatization of public office.”[236] Indeed, top-down cooptation refers to **the nexus of patronalization, patrimonialization and clientage**; but it actually involves more elements than those the authors mention. In a patronal autocracy, the adopted political family treats public institutions as private domain [→ 2.4.2] and also fills state positions with its own people as well as patronal servants [→ 3.3.5], contributing to the membership of service gentry as well as upper clientages [→ 6.2.2]. The upper clientage also involves oligarchs, who endure maximum amplitude of vulnerability because (1) the more their success is a result of discretional state intervention rather than market performance, the less they are able to build and keep their fortune autonomously, and the more they are dependent on the state [→ 5.4.1.2] and (2) they have no way to keep the chief patron accountable [→ 3.4.1.4]. Direct creation of clientages are all forms of top-down co-optation, whereby strategic (elite) persons become dependent on

235 We are indebted to Alena Ledeneva and Claudia Baez-Camargo for checking an earlier version of this table and giving suggestions about it.

236 Baez-Camargo and Ledeneva, “Where Does Informality Stop and Corruption Begin?” 54.

the regime and also interested in maintaining it. As Ledeneva and Baez-Camargo explain, such practice is "conducive to ensuring elite cohesion and to strategically securing bases of support for the regime. [Top-down co-optation] works by recruiting potential adversaries into the ruling network while also rewarding loyal supporters. [Prebendal] co-optation is enacted through formal and informal appointments made by a strong president,"[237] or more precisely, the chief patron [→ 3.3.2].

The second method of co-optation is the so-called horizontal or "reciprocal" type, where mutually beneficial relations are formed with "influential non-state actors [who] also become recruited into exercising public authority to inordinately favour particular interests."[238] Indeed, such co-optation is typical in liberal democracies, albeit in formal form. Lobbying, or more generally the legal and regulated cooperation of separated political and economic elites, is precisely the formal variant of such voluntary, mutually beneficial alliances, supporting both elites in retaining their position [→ 5.3.1]. However, the informal variant that the authors refer to is denoted as **cronyism** in our toolkit [→ 5.3.2.2]. The only difference is that, while our description of cronyism focused on the corrupt nature of the transaction, Ledeneva and Baez-Camargo's description emphasizes its regime-stabilizing function. As they write, the ruling elite "need the support of major business interests, because the latter can seriously destabilize political regimes and, in the case of competitive authoritarian regimes, are also often key funders of costly electoral campaigns."[239] Yet in a patronal autocracy, such a prospect is also avoided by creating the single-pyramid patronal network. That is, regime stability is served by (a) patronalization and predation of alternative actors and their assets [→ 5.5] as well as (b) the subjugation of autonomous oligarchs into the single-pyramid patronal network [→ 3.4.1.3].

What the authors refer to as **"bottom-up cooptation"** contains mainly the **reciprocal obligations toward a persons' communal networks**, which "may be formed on the basis of different criteria such as kinship, friendship, neighbourhood or profession."[240] In the previous chapter, we cited Huntington and explained that such strong-tie networks play an important role in the endemic nature of free-market corruption in post-communist countries in general and China in particular (*guanxi*) [→ 5.3.6]. "Here," as Ledeneva and Baez-Camargo write, "the network expects a proactive stance on the part of the group member who is appointed or recruited into a position of public office in solving problems and enabling access to benefits and resources in the interests of the network. [The] co-optation of public officials on the part of grassroots network generates social pressure, whereby the informal network obligations override the duties of the public office, and practices of petty corruption emerge to bridge the conflicting demands."[241]

However, bottom-up cooptation can be based on **instrumental** as well as sentimental ties [→ 6.2.1.1]. Ledeneva and Baez-Camargo call attention to the practice of **vote selling**, which we have not mentioned yet but indeed, "can be observed in Russia and other

[237] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 54–56.

[238] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 58.

[239] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 58.

[240] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 60.

[241] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 60–61.

post-Communist societies."[242] In this case, bottom-up cooptation is an informal request for clientelism, and it reflects an understanding of the regime's logic by the people. They recognize the leaders' demand for support and put a price tag on it, that is, they do not accept any level of benefits they are offered but want to maximize it—rationally in the neoclassical sense [→ 5.2].

Turning to **control**, the authors again start with the **top-down or "prebendal" variant**, which is closely linked to top-down co-optation of strategic elites. The authors speak about "demonstrative punishment" and explain that, "[while] the punishment itself can be formal—exercised in a hierarchical, top-down and direct manner—its selective enforcement serves the informal agenda that underpins the prebendal co-optation: it ensures impunity for the exploitation of public office in exchange for unconditional support for and loyalty to the regime on the one hand, and the atmosphere of 'suspended punishment' on the other."[243] In Chapter 4, we conceptualized the former phenomenon as **politically selective law enforcement** and the **law of rule** [→ 4.3.5.1], whereas suspended punishment refers primarily to the general use of **kompromat** [→ 4.3.5.2]. As the authors write, the "politics of fear"[244] that follows from such practices "is more preventive than punitive and based on collecting compromising materials […] on enemies and protestors, but particularly on friends and allies."[245] Also, as we have constantly tried to stress, such practices have a significant **signaling effect**, meaning they convey messages to other actors about the power of the leaders and the risk of facing such techniques in case of a confrontation. Hence, "'politics of fear' or 'suspended punishment' generates self-censorship among members of the elites and social networks."[246]

The second form of control is the **horizontal/reciprocal "peer control,"** which involves "mutual watch and collective responsibility."[247] According to the authors, "the Russian state legalized the informal governance observed within peasant communities—the principle of collective responsibility *(krugovaya poruka)*—for the purposes of tax collection, army conscription and crime control. The law on collective responsibility was only abolished in 1905. Mechanisms of mutual dependence vis-à-vis the state have generated practices of vigilance, informal monitoring, in-group surveillance, peer pressure as well as collective punishments to ensure the survival of the community vis-à-vis external pressure. In Stalin's time, regional elites used the principle of collective responsibility for resisting control and orders from above — covering up for power excesses by regional officials; protecting an official when compromising information about him was leaked to the centre; and punishing the whistle-blowers leaking such information. The immunity and protection provided by the community for its members were intrinsically linked to the limited property rights and inter-group dependence, surfacing prominently again in the post-Com-

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242 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 60. Cf. Ledeneva, *How Russia Really Works*.

243 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 62.

244 Gel'man, "Introduction: Politics of Fear."

245 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 64.

246 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 64.

247 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 65.

munist transition of the 1990s in the contexts of organized crime and regional elites."[248] In her book *How Russia Really Works*, Ledeneva further explains that *krugovaya poruka* in post-communist societies is based on **"fear and circular control,"** whereby political actors (including law enforcement officers and judges) try not to disadvantage each other in fear of reciprocal punishment.[249] Essentially, *krugovaya poruka* is the informal horizontal reciprocity of actors with autonomous competences, which they can decide to use for help or protection. Such relations can be formed in any regime between people of similar "caliber" in terms of competences, within a certain level of the social hierarchy. Indeed, such relations may be found on lower-levels of single-pyramid patronal networks as well as regional patrons in multi-tier pyramids [→ 2.2.2.3]. (It should be noted that horizontal alliances may be formed only for protective purposes and not offensive ones against the chief patron.) As we explained at the end of Chapter 4, the separation of resources of power is established to avoid concentration of power in the hands of clients [→ 4.4.3.2], whereas breaking horizontal relations and replacing them with vertical (patronal) chains of dependence is an important feature of limited-access orders in general and adopted political families in particular [→ 3.6.2].

Bottom-up control is practically the other side of bottom-up co-optation, meaning the reward and punishment schemes enforced by one's communal strong-tie networks. As Ledeneva and Baez-Camargo write, while "bottom-up co-optation is effected on the basis of group ascription [and] the relationship is maintained on the basis of an expectation of reciprocity or amity, […] the control is exercised on the basis of shame and reputation damage. […] 'Giving back' to their community is a key motivation for public office holders who are intent on maintaining and ensuring loyalty, respect and status."[250] The authors describe such practices outside the post-communist region (in Tanzania),[251] whereas in the region it exists most clearly in Chinese networks of *guanxi*.[252] However, in the three historical regions patronal autocracies integrate the member's family networks into the leading political elite (and leave out others), but at the same time they limit how much a member of the adopted political family can support his family members. As Ledeneva and Baez-Camargo explain, although a Russian official is "granted some impunity," he should remain "careful not to lose his sense of proportion, and consult with the boss, exercise fairness and above all transparency in sharing kickbacks with bosses, peers and subordinates. Regional 'feeds' are informally, yet zealously, monitored. As a Russian anecdote has it, 'state officials are caught not for stealing but for stealing too much for their rank.'"[253] This again contributes to the stability of the regime and is indeed enforced from the top, removing krysha in a discretional manner if necessary [→ 3.6.2.5]. In this sense, bottom-up control of the family is replaced by the top-down control of the adopted family.[254]

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248 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 66–67.

249 Ledeneva, *How Russia Really Works*, 105.

250 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 67.

251 Cf. Hyden, *Beyond Ujamaa in Tanzania*.

252 Mayfair, "Guanxi (China)."

253 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 57.

254 Cf. Ledeneva, *Can Russia Modernise?*, 98–108.

Finally, the authors turn to the third general modality of **camouflage**. Camouflage is needed to mislead foreign actors, particularly Western governments which are used to analyzing institutions of separated spheres of social action, and therefore tend to focus on the *de jure* framework instead of *de facto* functioning [→ *Introduction*]. Even NGOs like Transparency International focus on states' "lack of ability" to tackle corruption [→ 5.3.4.1] and give recommendations to the regime leaders to tighten formal rules for public officials and loosen them for civil society.[255] By all accounts, the idea is less that politicians will take on the recommendations as a form of help in fighting corruption: rather, it is believed they will need to implement them because, if they do not, international actors, countries and global investors will not cooperate with the regime in question.[256] However, while anti-corruption measures are sometimes implemented as a result,[257] they often become *de facto* what Ledeneva and Baez-Camargo describe as **"creative façades:"** an acceptable exterior to disguise non-acceptable practices.[258] As they write, "[there] are many examples of leaders' impassioned proclamations against corruption and the adoption of significant legal and institutional reforms to that effect, followed by very little substantive actions. Anti-corruption campaigns have often come about during electoral campaigns, at times of crisis or with increased pressure from international donors, and are therefore symptomatic of the manipulation of the discourse on corruption and anti-corruption as window dressing in the pursuit of narrow political interests."[259] More generally, **the democratic façade of patronal autocracies is the most significant creative façade**, meaning autocrats have developed techniques to establish *de facto* autocratic operation without outright repression of the people and formally democratic institutions [→ 4.3, 6.3]. Although this fact has been acknowledged by political scientists in general and hybridologists in particular, they still analyze chief patrons alongside Western populists[260] and recognize their parties as "ruling parties," that is, just like any populist's party of power.[261] Indeed, chief patrons are ideology-applying populists and not ideology-driven ones [→ 6.4.1], whereas their parties are only transmission belts where no real decisions are made, and which are only the executors of the interests of the informal patronal network [→ 3.3.8].

This leads us to the notion of **"hidden constitutions,"** which Ledeneva and Baez-Camargo explain as "situations where formal constitutional powers do not necessarily reflect how real power is exercised. […] Playing on the distance between front and back stage, manipulating identities, using intermediaries or front persons and creating virtual realities."[262] In Chapter 4, we referred to the **informal shadow norm of patronal networks** which has a supremacy over the formal institutional setting [→ 4.3.4], and we have also expounded,

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[255] TI, "Corruption Perceptions Index 2017." True, TI also gives suggestions to private actors such as NGOs and journalists, but we now focus on TI's notion of formality in general and of the state in particular.

[256] Hansen, "The Power of Performance Indices in the Global Politics of Anti-Corruption"; Davis, Kingsbury, and Merry, "Indicators as a Technology of Global Governance."

[257] Andersson and Heywood, "The Politics of Perception."

[258] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 68.

[259] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 69.

[260] Cf. Norris and Inglehart, *Cultural Backlash*.

[261] Cf. Pappas, "Populists in Power."

[262] Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?," 70.

on the basis of Hale's work, on the power-sharing and signaling functions formal constitutions indeed fulfill [→ 4.4.2.2]. On the other hand, Chapter 3 introduced **political and economic front men**, both needed for the everyday functioning of patronal autocracies but not liberal democracies or communist dictatorships [→ 3.3.3, 3.4.3]. Several actors who would be politicians by Western standards—that is, their formal identity—are indeed, informally, deprived of their autonomy in patronal autocracy and are *de facto* degraded to mere executors of the chief patron's will. These actors are the political front men, filling up formal bodies like legislatures [→ 4.3.4.4] and constitutional courts [→ 4.4.1.3]. In the sphere of market action, economic front men are *de jure* entrepreneurs but only manage or formally keep the property of their patron, oligarch or poligarch [→ 3.4.1]. In the confines of relational economy, power&ownership is the dominant form of *de facto* ownership [→ 5.6], whereas relational market-redistribution is carried out with the help of economic front men and shell companies who, as corruption brokers, bridge the structural hole between their patron's wealth and formal position [→ 5.3.3.2].

Last but not least, Ledeneva and Baez-Camargo describe what is the very essence of patronal regimes: **"blurring of the public/private interests"** by those who hold political and economic power.[263] Indeed, the authors focus on lower-level actors, namely members of public administration who in a "complete role reversal" not only pursue their business interests or skim financial benefits but "turn into 'werewolves in epaulets' or 'werewolves in uniforms.'"[264] This is what we identified as grey raiding by state administration, and what Markus described as the "piranha capitalism" of corrupt tax collectors, law-enforcement and intelligence officers [→ 5.5.3.1]. Yet in patronal autocracies, these actors are deprived of their autonomy and made patronal servants [→ 3.3.5, 3.3.6], which means that they are not free to abuse their office for themselves. On the contrary, they need to abuse it on command, upon the orders of regional patrons or even the chief patron (in the case of centrally-led corporate raiding [→ 5.5.4]). Indeed, what happens in this case is no longer "blurring" the boundaries between the public and private sphere: it is a sign of **collusion of the spheres of social action**, whereby informal governance is made the regime's true skeleton. While it refers to itself as a server of the "national interest," chief patrons subordinate the state to the principle of elite interest [→ 2.3.1] and treat it as their private domain, routinely violating formal laws and operating the state as a criminal organization. In short, what they institute is none other than **the mafia state** [→ 2.4.5].

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263 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?" 71.

264 Baez-Camargo and Ledeneva, "Where Does Informality Stop and Corruption Begin?" 71. Also, see Ledeneva, *Can Russia Modernise?*, 195.

7. Regimes



7.1. Guide to the Chapter

Having finished the comparative conceptualization of political, economic and social phenomena, the task that we have yet to accomplish is **defining the six ideal type regimes**. Indeed, we have only given a preliminary description of them in Chapter 1, whereas in the subsequent chapters we used the six regime labels to explain which actors, institutions, as well as political, economic and societal phenomena are associated with them. In this sense, we were defining them: we filled up the terms with meaning, explaining how the six regimes ideal typically work. However, by giving a detailed description of the regimes before a more formal definition, we wanted to place emphasis on regime theory instead of the regime labels *per se*. While one can sometimes get the impression that comparative regime theory is about finding appropriate names, it is indeed regime theories which should compete, not regime labels. **A label must follow from a comprehensive regime theory, not precede or substitute it**; one should not choose regime labels by how apt or "catchy" they sound, but how comprehensive a description they contain, in contrast to the alternative descriptions other labels are based on. When it comes to the question of "what should I call you?,"[1] we must take a look at what regimes are, and find the appropriate name for them taking all their regime-specific features into account. Indeed, giving a regime a label is not meaningless wordplay—it means that one knows what the regime is and is not.

Using the concepts that have been introduced for the regimes' "anatomical" parts in the last five chapters, we define the six ideal type regimes in Part 7.2. Also in this part, we explain how the framework can be used, that is, how it can be divided by various dimensions referring to certain anatomical features. This way we can place real world polities in the triangle, and express their conceptual distance from the six ideal type regimes (see Figure I.3 [→ *Introduction*]).

The triangular framework allows for both synchronic and diachronic analysis.[2] That is, a country can be placed in the triangle by the features it exhibits in a given point of time (synchronic analysis), but plotting several points, each referring to the country's state at a different point of time, we can also see a regime's trajectory, or the way it developed over the course of time (diachronic analysis). While Part 7.2 focuses on the sides and poles of the triangle—that is, the ideal type regimes—Part 7.3 develops a typology of trajectories, that is, the typical ways a country at one point in the triangle typically evolves. We describe various forms of pattern change, including regime and model change, as well as regime cycles and democratic backsliding and progress. We take a so-called "dual approach" to see in parallel personal and impersonal institutional change (or the lack thereof).

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1 Cf. Trencsényi, "What Should I Call You?"

2 Bartolini, "On Time and Comparative Research."

The chapter also offers illustrations to the ideal type trajectories, using the case of twelve post-communist countries. Primary trajectories, that is, the movement from communist dictatorship to the first post-communist regime-type each country reached, is illustrated by modelled trajectories of Estonia, Romania, Kazakhstan, and China. Poland, the Czech Republic, Hungary and Russia provide illustrations to secondary trajectories, which follow primary trajectories and involve successful or unsuccessful attempts at moving the country into a new regime. Finally, regime cycles are illustrated by Ukraine, North Macedonia, Moldova, and Georgia.

While the book has predominantly focused on regime-specific features, Part 7.4 offers an overview of country and policy-specific features. The former includes features like ethnic cleavages, deep state, country size, geopolitics, dependence of capitalism and natural-resource abundance. The latter is more general in terms of identifying what features are policy-specific and how one should analyze them, taking into account the specific context of the respective regime. In the same part, we conclude the chapter by turning attention to the people, especially to their "stimulation threshold" and its importance for ruling elites in policy-making.

7.2. The Triangular Framework: Defining the Six Ideal Type Regimes

7.2.1. Doubling of the Kornaian Ideal Types of Democracy, Autocracy, and Dictatorship

The obvious way to define the six ideal type regimes would be the enumeration of all the features we have associated with them. While a resultant category would certainly be precise, it would also be non-parsimonious, "a cumbersome and unappealing semantic vehicle" which could not be used in any meaningful way.[3] However, satisfactory definitions can be provided by focusing on **necessary and sufficient conditions**, that is, the features which clearly indicate a certain regime type. Such features allow for the unambiguous identification of ideal types, and as they are also fundamental, they also provide the base from which many other features we have analyzed before follow.

Indeed, Kornai already provides the necessary and sufficient conditions for the three general-regime types: democracy, autocracy, and dictatorship. In his study *The System Paradigm Revisited*, he calls the necessary and sufficient conditions "primary features,"[4] and we have actually listed them—alongside secondary features—back in Chapter 1 [→ 1.6]. However, we have not defined the three general regimes more formally yet. We can do this now by using Kornai's 4–4 primary features:

[3] Gerring, "What Makes a Concept Good?," 371.

[4] Kornai, "The System Paradigm Revisited."

- **Democracy** is a political regime where (1) the government can be removed through a peaceful and civilized procedure, (2) institutions which concertedly guarantee accountability are well-established, (3) legal parliamentary opposition exists (multiple parties run for elections), and (4) there is no terror.

- **Autocracy** is a political regime where (1) the government cannot be removed through a peaceful and civilized procedure, (2) institutions which could concertedly guarantee accountability are either formal or weak, (3) legal parliamentary opposition exists (multiple parties run for elections), and (4) there is no terror (but various means of coercion are occasionally used against political adversaries).

- **Dictatorship** is a political regime where (1) the government cannot be removed through a peaceful and civilized procedure, (2) institutions which could allow/guarantee accountability do not exist, (3) no legal parliamentary opposition exists (only one party runs for elections), and (4) there is terror (large-scale detention in forced-labor camps and executions).

While these categories are clear-cut, they focus solely on political institutions and do not account for other spheres of social action [→ 3.2]. Moreover, if the spheres of social action are not separated, even political institutions work by different principles, which cannot be captured without a more holistic approach. Hence, we double Kornai's categories, yielding our six ideal type regimes. We only hinted at their necessary and sufficient conditions in Chapter 1, but now we list them in a more structured way. We divide the two democracies, autocracies, and dictatorships along the lines of 3–3 dimensions. These dimensions are aspects, like "patronalism of rule" or "dominant economic mechanism," which we will select for each pair of regimes to indicate their fundamental differences. Furthermore, since the definitions combine these basic features with their general political regime type, we derive the necessary and sufficient conditions of each of the six ideal type regimes.

Let us start with **democracy**, which we split into liberal and patronal variants:

- **Liberal democracy** is a type of democracy that features (1) non-patronal ruling elite, (2) a politicians' party as ruling party, and (3) the dominance of formal institutions.

- **Patronal democracy** is a type of democracy that features (1) informal patronal ruling elite, (2) a vassals' party as ruling party, and (3) the dominance of semi-formal institutions.

In **"liberal democracy," "liberal" does not stand for liberal public policies but constitutionalism**, which has its roots in liberal political philosophy [→ 4.2.2]. As the values of constitutionalism are guaranteed by formal institutions, it is essential that these institutions are dominant, that is, they are not *de facto* disregarded and overwritten by informal norms and practices.[5] Relatedly, the spheres of social action in a liberal democracy are separated

[5] Sartori, "Constitutionalism."

[→ 3.2] and the ruling party remains a politicians' party [→ 3.3.7]. The ruling elite is also non-patronal, confined to the sphere of political action and comprising many independent factions whose autonomy is guaranteed by the plurality of resources [→ 2.2.2.2, 4.4.1.2].

In contrast, **patronal democracy** features a collusion of the spheres of social action, although it remains a democracy as a result of the dynamic equilibrium of competing patronal networks [→ 4.4.2.1]. Indeed, **"patronal" refers to the informal patronal ruling elite**, or the multi-pyramid configuration where political-economic clans [→ 3.6.2.1] compete in the guise of political parties (hence vassals' parties [→ 3.3.7]). As a result, the dominant institutions are not formal but **semi-formal**, an intermediary category we introduce between formality and informality. "Semi-formal" refers to **a permanent coexistence of formal and informal elements**, each being dominant on different levels of the regime. On the one hand, **the actors are dominantly informal**, and the significant parties are only vehicles for the informal patronal networks, granting them a legitimizing framework in a restricted competition [→ 4.3.2.4]. On the other hand, none of these actors has enough political power, that is, no network can patronalize and patrimonialize enough political actors and institutions to be able to transgress formal rules freely, neutralizing democracy's defensive mechanisms [→ 4.4.1]. Thus, **the political institutional setting remains dominantly formal**, and the actors are not able to eliminate the separation of branches of power, public deliberation, civil society, and the rule of law [→ 4.4.2.1]. In a patronal democracy, informal actors populate a formal institutional setting without gaining supremacy over it. Yet as the spheres of social action collude, informal patronal networks decrease the transparency of governance and also create their own regime dynamics, with patronal challenges to democratic plurality not being an anomaly but a norm among political players [→ 4.4.2.3].

The three dimensions we use to differentiate subtypes of democracy are (1) patronalism of rule, (2) the ruling party's members, and (3) formality of institutions. In the case of autocracies, we use three different dimensions, namely (1) the ruling party's function, (2) the dominant economic mechanism, and (3) ideology:

- **Conservative autocracy** is a type of autocracy that features (1) a governing party, (2) market coordination and the dominance of private property, and is (3) ideology-driven.

- **Patronal autocracy** is a type of autocracy that features (1) a transmission-belt party, (2) relational market-redistribution and the dominance of power&ownership, and it is (3) ideology-applying.

While conservative autocracy is an autocracy in the Kornaian sense, it extends its monopoly of power only to the sphere of political action. Indeed, conservative autocracy is **a fundamentally formal regime: it centralizes power in the hands of the president** or prime minister (head of executive), who formally breaks down the separation of branches of power. The ruling party indeed governs, that is, its *de jure* and *de facto* roles coincide [→ 3.3.8], whereas the leading political elite does not include oligarchs and poligarchs but politicians (who may nevertheless be supported by major economic actors [→ 5.3]). The **private economy is practically left alone**, in the sense that it is not patronalized and still

features regulated market coordination as dominant economic mechanism [→ 5.6.2.1]. True, the extent of state economy tends to be substantial, and ideological regulations of private life appear in the communal sphere, too. But no collusion of the spheres of social action takes place.

The final feature of conservative autocracy is that it is ideal typically **ideology-driven**, with a state subordinated to the principle of ideology implementation [→ 2.3.1]. This is expressed by the term "conservative," which in this context means that leaders regulate—on a normative basis—lifestyle and introduce elitist (anti-egalitarian) social and economic policies. It may be argued that the definition does not specify the content of ideology and therefore a leftist regime could fit the definition, too. Technically, this is not unimaginable, although a leftist autocracy would be unlikely to rely on market coordination and it would rather feature a developmental state or state capitalism, with the government determining production structure as a dominant owner or investor.[6] But the main reason we call this regime type "conservative" is because, in the post-communist region, the principal attempt to institutionalize an autocracy with the three features above has been a conservative one: the autocratic attempt of Kaczyński in Poland.[7] Nevertheless, Poland is still closer to the ideal type of liberal democracy, and no post-communist country has reached conservative autocracy yet. If one is to look for examples, Pinochet's Chile (in terms of non-patronal economy under a single-pyramid power network) and Salazar's Portugal (in terms of an ideology-driven party dominated political sphere with controlled, manipulated and limited opposition) were closer to the ideal type of conservative autocracy.[8]

Patronal autocracy represents the diametrical opposite of these features. While it, too, is an autocracy, it is **a fundamentally informal regime** [→ 6.5]. **The ruling party is only a transmission-belt party**, whereas the real ruling elite is an informal patronal network, the adopted political family [→ 3.6]. In the ruling party, intra-party democracy is eliminated [→ 4.3.4.4], and political and economic decision-making is transferred from the formalized, legitimate bodies of the party and government to the patron's court [→ 3.3.2]. Patronal autocracy features **relational economy with relational market-redistribution**, discretional interventions and predation in favor of the poligarchs, oligarchs and front men who are all parts of the informal patronal network [→ 5]. Basically, the regime is run as a criminal organization, according to the top-down pattern of criminal state [→ 5.3.2.3]. The adopted political family, unlike the leading political elite of conservative autocracy, is **ideology-applying** and runs on the principle of elite interest, that is, the twin motives of power monopolization and personal-wealth accumulation [→ 6.4.1]. In a patronal autocracy, while a democratic façade is formally maintained and the unconstrained rule is legitimized by populism [→ 4.2.3], the ruling elite *de facto* institutionalizes a **mafia state**, combining the features of a clan state, a neopatrimonial/neosultanistic state, a predatory state, and a criminal state [→ 2.4.5].

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[6] Cf. Holcombe, *Political Capitalism*, 2018, 30–33; Musacchio, Lazzarini, and Aguilera, "New Varieties of State Capitalism."

[7] Magyar, "Parallel System Narratives." As we will see, Georgia also approached conservative autocracy under Saakashvili, following a conservative, free-market oriented program.

[8] Huneeus, *The Pinochet Regime*; Raby, "Controlled, Limited and Manipulated Opposition under a Dictatorial Regime." Cf. Kallis, "The 'Regime-Model' of Fascism."

Finally, we split **dictatorship** into communist and market-exploiting variants along the dimensions of (1) ideology, (2) limited nature, and—once again—(3) dominant economic mechanism:

- **Communist dictatorship** is a type of dictatorship that features (1) bureaucratic resource-redistribution (monopoly of public ownership), (2) system-lubricating corruption, and is (3) totalitarian.

- **Market-exploiting dictatorship** is a type of dictatorship that features (1) a dynamic balance of market coordination, bureaucratic resource-redistribution, and relational market-redistribution, (2) system-destroying corruption, and is (3) unconstrained.

We use the aspect of dominant economic mechanism again not only because one of the basic defining features of communist dictatorships is **central planning**, but also because this is what market-exploiting dictatorship abandons. More precisely, communist dictatorships feature monopoly of public ownership of the means of production, whereas **market-exploiting dictatorships**, while keeping up the one-party system and a reformed party state [→ 3.3.8], **allow the emergence of competitive markets** and market coordination. Indeed, they are "market-exploiting" because the party state (partially) liberates the sphere of market action so it can reap its fruits in terms of political legitimacy, economic self-reproduction, and social stability [→ 5.6.2.2]. However, the emergence of private economy leads to rampant corruption as well, particularly top-down state capture, which makes relational market-redistribution an emphatic element and constant challenge to the regime, the leaders of which need to fight against the tendency of illegal patrimonialization ("mafiafication") of the party state [→ 5.6.2.3].

While the party leadership creates strong defensive mechanisms against them, mafiafication and corruption in general are indeed destructive components of market-exploiting dictatorships [→ 4.4]. Hence, we can see **system-destroying corruption** in such regimes, undermining the healthy functioning of the regime, whereas **corruption in communist dictatorships is system-lubricating** [→ 5.6.1.5]. Indeed, corruption is supportive to the regime's other components (and therefore moderately tolerated), for without it—as well as the broader correcting mechanisms which system-lubricating corruption is a part of—the regime would be too rigid and unsustainable [→ 5.6.1.2]. Naturally, this does not mean that every corrupt act in a communist dictatorship necessarily promotes regime stability, only that corruption is a necessary element for the regime to avoid breaking down [→ 5.3.5]. Finally, both ideal type dictatorships feature their own kind of nomenklatura and neither ruling elite is constrained. But communist dictatorships are **totalitarian**, while market-exploiting dictatorships are only **unconstrained**. Simply put, an unconstrained leader could force his will on everyone just like a totalitarian one, but he does not do so. Unconstrained (party) leaders in market-exploiting dictatorships are more pragmatic and create a less rigidly controlled environment (ultimately for their own purposes). Yet this relative freedom applies only to the sphere of market action: ordinary people are just as repressed in a market-exploiting dictatorship as in communist ones. Indeed, they are subjects, deprived

of their basic right and liberties [→ 3.5.1] and even, possibly, as technology develops, much of their freedom in the sphere of communal action.[9]

7.2.2. Eleven Dimensions in the Triangular Framework

In the triangular framework, as the six ideal type regimes are depicted—polar types at the poles and intermediary types in between the poles, at the midpoint of the triangle's sides—they represent that **bundle of variables** that is indicated in their definition. Moreover, each ideal type regime has its own value for each of the eight above-mentioned dimensions, in addition to their Kornaian general type. Thus, each regime point represents an even more complex bundle than their definition indicates. **The triangular framework is none other than a conceptual space**, spanned by the six ideal type regimes [→ *Introduction*], and **placing a point within the triangle represents a regime with a certain distance from the ideal types**. The closer a point is to an ideal type's point, the more similar it is to that regime, and conversely, the farther it is from it, the less similar.

The tricky part in using a conceptual space is that it is not composed of scales. On a continuous scale, a regime can be placed easily based on some clear, quantified measure. But in a conceptual space, the distance between the points is not mere quantitative distance but "conceptual distance," that is, deviance in terms of the complete bundles of variables each point represents. This makes placing regimes in the triangular framework less straightforward, and it requires a more unorthodox operationalization.

Our solution is to **divide up the triangular framework according to each dimension** and showing which section of the triangle represents which concrete feature. Figures 7.1–3 show how this is achieved, along the three dimensions we used for delineating democracies. With regard to patronalism of rule, the obvious point to start is the six ideal type regimes, where we know their value precisely: liberal democracy and conservative autocracy are non-patronal, patronal democracy and patronal autocracy are informal patronal, and the two dictatorships are bureaucratic patronal [→ 2.2.2.2]. Next, what we have to put into the triangle are the so-called **dominance boundaries**. These boundaries delimit from each other **dominance sections**, that is, parts of the triangle where a certain characteristic feature is dominant. This does not mean the level of patronalism is the same in the whole "informal patronal" section: on the contrary, informal patronalism is much more dominant in patronal autocracy than patronal democracy. But they are on the informal patronal side of the dominance boundary, whereas liberal democracy is on the non-patronal side. Exactly how dominant informal patronalism is at a given point of the dominance section is not expressed by the triangular framework. True, one can observe that, in several cases, closeness to a dominance boundary coincides with lower level of dominance of the respective feature and a higher level of the neighboring feature. For example, market-exploiting dictatorship is closer to the dominance boundary between bureaucratic and informal patronalism than communist dictatorship, and indeed, the former features the mafiafication tendency (i.e., more informal patronalism) and less dominant bureaucratic

[9] Cf. Qiang, "President Xi's Surveillance State."

patronalism than the latter. But this should not be understood as a general principle. That is, one should not try to operationalize the dominance section in a way that he assigns to every point a certain level of dominance. The triangular framework does not work this way: **a regime is not assigned to a *point* based on the exact *level* of dominance, but it is assigned to a *section* based on the *fact* of dominance**. Moreover, in the figures we use dotted lines for dominance boundaries to indicate that they are not sharp boundaries where there are no unclear borderline cases. On the contrary, cases that are on the boundaries are ambiguous in terms of which dominance section they belong, and such regimes often fluctuate between the two features' dominance.

Similar exercises can be done with each dimension, based on their description with respect to ideal type regimes in the previous chapters (Figures 7.4–8; related chapters are indicated in the figure's label). Yet to clarify what exactly is dominant in certain dominance sections of the triangles, we also include explanatory tables, which help operationalize the phenomena of each concept. The tables encapsulate the definitions and related theories of each dimension, while they also provide a comparison of the concepts within each triangular "map."

Figure 7.1. Patronalism of rule (with explanatory table [→ 2.2.2.2]).

	The ruling elite…		
	is organized along patron-client relationships	is within the formal institutional setting	extends beyond the formal institutional setting
Non-patronal	–	X	–
Bureaucratic patronal	X	X	–
Informal patronal	X	–	X

Figure 7.2. Ruling party's members (with explanatory table [→ 3.3.7]).

	Members are clients of the leader (top patron)	Members are loyal to the party (as formal organization)
Politicians' party	–	–
Vassals' party	X	–
Cadres' party	X	X

Figure 7.3. Formality of institutions (with explanatory table [→ 2.2.2, 4.3.4, 5.3, 5.6, 6.5]).

	Dominant political and economic institutions are…	
	Formal	Informal
Formal	X	–
Semi-formal	X	X
Informal	–	X

Figure 7.4. Ruling party's function (with explanatory table [→ 3.3.8, 3.6]).

	Political decisions are…	
	made inside the party's formal decision-making bodies	limited by checks and balances and/or competition for power
Governing party	X	X
State party	X	–
Transmission-belt party	–	–

Figure 7.5. Dominant economic mechanism / dominant form of property (with explanatory table [→ 5.5.6]).

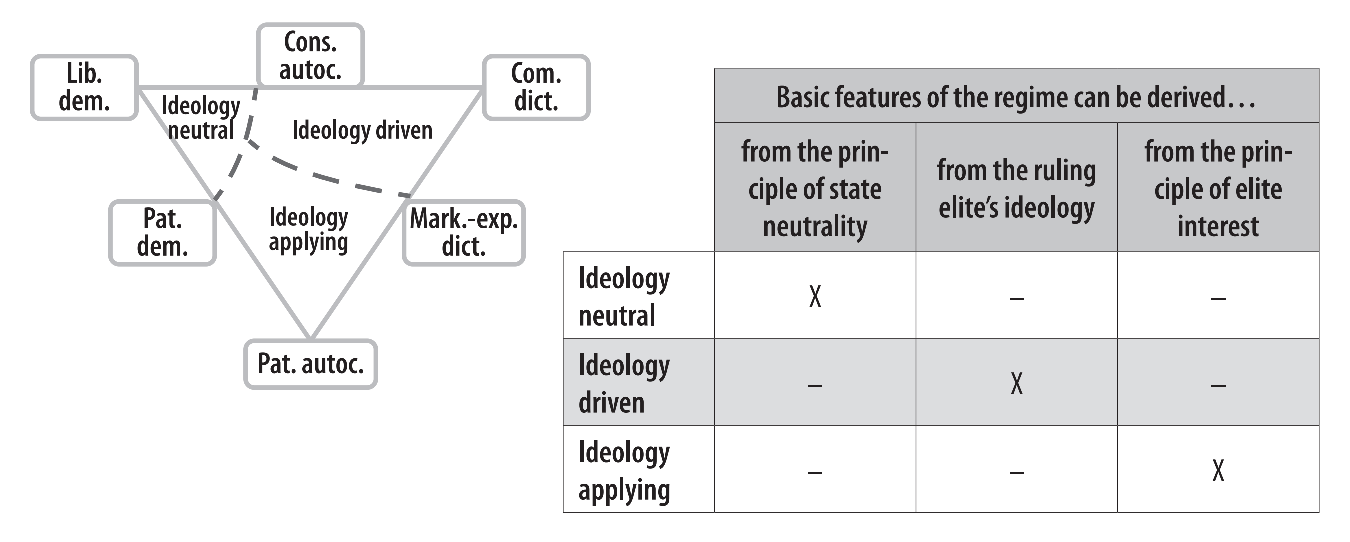
	The ruling elite is a dominant actor in determining ownership structure	The ruling elite is a dominant actor in determining production structure
Market coordination	-	-
Relational market-red.	X	-
Bureaucratic resource-red.	X	X

Figure 7.6. Corruption (with explanatory table [→ 5.3, 5.6.1.4]).

Cons. autoc.
Lib. dem.
Com. dict.
System-destroying corruption
System-lubricating corruption
Pat. dem.
System-constituting corruption
Mark.-exp. dict.
Pat. autoc.

	The functioning of the system…		
	is distorted by corruption	is facilitated by corruption	is based on corruption
System-destroying corruption	X	–	–
System-lubricating corruption	–	X	–
Sytem-constituting corruption	–	–	X

Figure 7.7. Ideology (with explanatory table [→ 2.3.1, 6.4.1]).



	Basic features of the regime can be derived…		
	from the principle of state neutrality	from the ruling elite's ideology	from the principle of elite interest
Ideology neutral	X	–	–
Ideology driven	–	X	–
Ideology applying	–	–	X

Figure 7.8. Limited nature (with explanatory table [→ 2.4.6, 3.3.1, 4.3.4.1, 4.4]).

Cons. autoc.
Lib. dem.
Com. dict.
Limited
Totalitarian
Unconstrained
Pat. dem.
Mark.-exp. dict.
Pat. autoc.

	The leading political elite…	
	enjoys wide amplitude of arbitrariness	brings every sphere of social action under state control
Limited	–	–
Unconstrained	X	–
Totalitarian	X	X

The eight triangles depicted above reflect features that Kornai's categories do not. That is, they regard the economic and communal spheres, as well as the peculiar functioning of politics that stems from the lack of separation of the spheres of social action. However, we may complete the picture by introducing three more triangles, reflecting features that belong generally to the sphere of political action. First, Figure 7.9 depicts **pluralism of power networks**, meaning whether power is monopolized in the hands of a single pyramid or is divided among multiple pyramids, leading to plurality in the political system. Indeed, the dominance boundary between single and multi-pyramid arrangements **coincides with another dimension: legitimacy**. More precisely, it is the division between the regime being legitimized on the grounds of **legal-rational legitimacy (multi-pyramid power networks) or substantive-rational legitimacy (single-pyramid power network)**. This is straightforward in the cases of the three polar type regimes, where the multi-pyramid regime of liberal democracy is associated with constitutionalism (legal rationality and rule of law) and the two single-pyramid regimes, with populism and Marxism-Leninism (substantive rationality and rule by law) [→ 4.2, 4.3.5.1]. As for the intermediary regime types, the ruling elites of conservative autocracy and market-exploiting dictatorship retain the privilege to rule by law, and there indeed is no authority which may limit their respective leaderships in disrespecting the rule of law "in the national interest."[10] In patronal democracies, patron's parties do often use the populist narrative,[11] and they constantly challenge the rule of law, seeking to institute a single-pyramid system of substantive rationality. But the regime does not cease to be fundamentally grounded in legal-rational legitimacy, as exemplified by color revolutions, which are organized precisely under the slogans of democracy and transparent, constitutional order [→ 4.4.2.3]. Indeed, legitimacy-questioning protests, which are indispensable parts of color revolutions [→ 4.3.2.1], also call for the supremacy of transparent formal rules in the face of corrupt, informal practices, and the very expression "legitimacy questioning" means that the leading political elite's legitimacy is questioned after violations of legal rules.

Second, the dimension of **autonomy of civil society** can be seen on Figure 7.10. This dimension reflects the state of the four autonomies of civil society: the autonomy of media, entrepreneurs, NGOs, and citizens [→ 4.4.1.2]. Indeed, this also determines whether the regime is consolidated or there still are resources in the hands of non-regime actors to resist the leaders [→ 4.4.3.2]. Finally, Figure 7.11 shows a triangle divided up by **hybrid-regime type**, based on the typology of Howard and Roessler we cited in the *Introduction*.[12] There are three reasons why bringing a mainstream typology from comparative regime theory in is important. First, these types are defined by focusing on political institutions in general, and the removability of the leaders in particular. Using them, we can reflect on Kornaian primary features as well as several findings of hybridologists, which we also adopted in our conceptual toolkit [→ 4.3]. Second, we can clarify the relationship between the mainstream typology and our own typology of six ideal type regimes. Indeed, we do not reject notions like "competitive authoritarianism"—we accept them with regard to a limited number of regime features. Indeed, "competitive authoritarianism" is too general for our purposes,

[10] Cf. Orts, "The Rule of Law in China."

[11] For the case of Ukraine, see Kuzio, "Populism in Ukraine in a Comparative European Context."

[12] Howard and Roessler, "Liberalizing Electoral Outcomes in Competitive Authoritarian Regimes."

for—and this is the final point—as can be seen in Figure 3.11, **each hybrid regime type represents a range of regimes with great variation along the ten features depicted above**. There are many forms of competitive authoritarianism, yet if we analyze them only on the democracy-dictatorship axis—that is, the top side of the triangle—their differences do not seem to affect the regime's general character. Competitive authoritarianisms look fundamentally similar, that is, of the same kind by their political institutional setup. In contrast, **expanding the democracy-dictatorship axis into a triangular conceptual space, we can see regime-specific and system-constituting differences that mainstream types cover**. For example, both ideal typical autocracies count as hegemonic authoritarianism in the mainstream typology, whereas dictatorships are both closed authoritarian regimes. Yet the character, functioning and dynamics of these regimes are fundamentally different, that is, their peculiar features affect the polity's institutionalized set of fundamental formal and informal rules structuring the interaction in the political power center and its relation with the broader society [→ 2.2.1].[13]

Figure 7.9. Plurality of power networks / legitimacy (with explanatory table [→ 2.2.2, 3.6, 4.4]).

Lib. dem.
Cons. autoc.
Com. dict.
Multi-p. power netw. / Legal-r. legit.
Single pyramid power network / Substant.-rational legit.
Pat. dem.
Mark.-exp. dict.
Pat. autoc.

	Presence of opposition elite with winning chances and/or influence on governance
Multi-pyramid power network	X
Single-pyramid power network	–

Figure 7.10. Autonomy of civil society (with explanatory table [→ 4.4.1.2, 4.4.2.3]).

Lib. dem.
Cons. autoc.
Com. dict.
Free
Non-existent
Sub-jugated
Pat. dem.
Mark.-exp. dict.
Pat. autoc.

	Civil society…	
	exists, but its four autonomies are broken	cannot legally exist
Free	–	–
Subjugated	X	–
Non-existent	–	X

[13] Cf. Skaaning, "Political Regimes and Their Changes."

Figure 7.11. Hybrid regime type (with explanatory table [→ *Introduction*, 4.3]).

	Multi-party elections	Opposition can win	Free and fair elections	Strong con-stitutional limits
Liberal democracy	X	X	X	X
Electoral democracy	X	X	X	–
Com-petitive authorit.	X	X	–	–
Hegemonic authorit.	X	–	–	–
Closed authorit.	–	–	–	–

When an actual regime is placed in the triangular framework, it must be consistent with all triangles, in all dimensions. To express it visually, if the triangles are put on top of each other and one pins a point down with a needle, the points the needle goes through in each layer will belong to a certain dominance section (or sometimes a boundary). The features that these pinned dominance sections represent describe a regime at its current state coherently along the eleven dimensions. It should be noticed that this is a major difference from historical analogies, like (neo-) feudalism or fascism, which try to capture the "essence" of a regime by focusing on a single dimension (patronalism of rule and ideology, respectively) but do not fit when it comes to other aspects [→ *Introduction*]. Here, the triangular framework entails a strict criterion of coherence in terms of regime-specific features, while also concerning all spheres of social action and the level of separation thereof.

The inter-layer coherence the triangular framework involves also answers the question where a regime that—for example—is classified as competitive authoritarian should be put exactly within the "competitive authoritarian" dominance section (in Figure 7.11). For if one focuses only on the dimension of removability, a competitive authoritarian regime can be close to patronal autocracy as well as patronal democracy, but it can also be non-patronal or in the vicinity of conservative autocracy. But if we focus on competitive authoritarianisms where the dominant institutions are semi-formal, the intersection of the two dominance sections will define a narrower section where the point can be put. Moreover, if we know a regime is a semi-formal competitive authoritarianism and also the ruling elite is unconstrained, the intersection will narrow further. And so on, we can (and indeed must) go through all the dimensions like this. In the end, the possible space in the triangle in which a regime can be placed will be fairly narrow, enclosed by the dominance boundaries of the eleven stacked triangles. This is how we can pinpoint a case, a real-world

polity in its current state, in the conceptual space, showing its conceptual distance from all six ideal type regimes.[14]

The reader might be dubious at this point. Claiming that coherence of eleven dimensions holds at every single point of the framework, and that in no empirical case will the above-mentioned needle sticking through the triangles bend and twist to other points between layers, may sound incredible at first. But recall that **the framework does not aim at expressing everything**: namely, it does not show the exact level of dominance at each point, rather the fact of dominance in each dominance section. Thus, when Regime A is placed in the triangle, its position represents the dominance of eleven features. However, as the level of dominance is not implied, Regime B placed in the exact same point may differ from Regime A in how dominant each of its eleven features is. Disregarding the level of dominance for the purposes of our framework does not mean we deprive regimes of their complexity: it means we do not pretend to capture every nuance that regimes have in terms of patronalism, formality of institutions, ideology etc. by a misleadingly precise quantity. But **the constellation of eleven features' dominance already define**, regardless of how dominant the features are, **a distinctive character**, or a certain internal logic resulting from the interplay of the eleven dominant features. And while the lack of quantitative pinpointing might strike some scholars as inaccurate, it needs to be understood that **the triangular framework is an illustrative tool just as much as it is a tool for research**. In the following, we model regime trajectories within the framework for different countries. Comparing these trajectories visually, one can get a good understanding of not just the development of each regime but (especially) in how these regime developments differed. Making the triangle more precise would eliminate its heuristic value, and we could not present the eleven dimensions in a coherent matrix either. Whereas it is precisely that the framework shows the eleven dimensions together what makes it an appropriate tool to convey the complexity of regimes that separate the spheres of political, market, and communal action to different degrees.

7.3. Regime Dynamics: A Typology with Modelled Trajectories of Twelve Post-Communist Countries

7.3.1. General Definitions: Sequence, Trajectory, and Pattern Change

The initial presumption of transitology was a teleology from dictatorial settings to liberal democracy. This was the famous interpretation of Fukuyama's *The End of History*: there is point A as a starting point and there is point B as an endpoint, where a regime that starts moving from A will eventually reach B is presumed certain. When hybridology ended the transition paradigm and *sui generis* regimes were recognized in the "grey zone" of

[14] A 3D illustration of the stacked triangles and a 2D map for pinpointing regimes can be found on the book's website https://www.postcommunistregimes.com/supplementary-material/.

the democracy-dictatorship axis [→ *Introduction*], it was precisely this teleology that was rejected. Turning to our triangular framework, while a given regime can be pinpointed at one point in the triangle, there is no other point (let alone an ideal type) it must necessarily become. **In the triangle, movement from one point to practically any other is possible**, notwithstanding certain probabilities and tendencies that can be observed and/or follow from the regimes' internal features.

Based on observations as well as regime theory, **ideal type regime trajectories can be identified**, which can be used to describe the regime dynamics that concrete post-communist regimes have shown. We define "regime trajectory" as follows:

- **Regime trajectory** (or simply trajectory) is the development of a regime through a period of time, expressed in terms of the changes of regime-specific features.

When depicted in the triangular framework, a regime trajectory is composed of two kinds of elements: **stable points** and **sequences**. As for the former, a stable point is no more than any given point in the triangle. Yet two remarks need to be made. First, "stable" does not mean that the regimes these points represent are static. On the contrary, every regime has internal dynamics, that is, movement and changes following from the myriads of acts of political, economic and communal actors belonging to the given polity. Indeed, much of the previous chapters are devoted to internal dynamics, explaining the role ideal typical actors play in certain polities. However, the regime's position in the triangle does not change until regime-specific features are changed. This follows from the basic logic of the framework, which pinpoints regimes by their regime-specific features and therefore can account for changes only in terms of such features. This leads us to the second remark we need to make, namely that **a stable point may refer to a longer period of time**, lasting until the regime's regime-specific features modify. Below, when we discuss actual trajectories, every point we put in the triangle represents years of stable regime functioning, whereas new points are added when the regime goes through a more substantial change.

In the triangular framework, we can do no more than depict the current status of regimes. That is, what we have are stable points, referring to periods of time in an actual regime. What we can do with these points is **connect them, which creates a "sequence."** A sequence represents movement in time, from one set of regime-specific features (stable point) to another. It does not mean that a regime that goes from point A to B in the triangle must go through all the points that make up the sequence: say, that a regime that changes from closed authoritarianism to liberal democracy must go through periods of hegemonic and competitive authoritarianism and electoral democracy. **In the triangle, only stable points can be interpreted meaningfully, whereas sequences are only visualized by lines that link the stable points.** What causes a sequence, that is, what endogenous processes or exogenous shocks trigger a change in regime-specific features is not explained in the triangle. The triangular framework only registers the change—that the regime in one period was in one stable point and in the next period, it is in the next one.

A regime trajectory is no more than a set of stable points and sequences. In the period we focus on, post-communist regimes all start from communist dictatorship, although they were not equidistant from the ideal type. From the point it was at when the Soviet Union collapsed, each country goes through what may be called its **primary trajec-**

tory: the way from communist dictatorship to the regime it changed into. Usually, this is captured in the concept of "regime change," which is what we refer to throughout the book, too. Yet to make sense of the varieties of primary trajectories, we may first introduce an umbrella term for them: pattern change.

- **Pattern change** is a regime trajectory leading from the vicinity of one ideal-type regime to that of another. More precisely, a regime that dominantly shares the features of one ideal-type regime performs a regime change if it starts to dominantly share the features of another ideal-type regime.

We may distinguish three subtypes of pattern change (Table 7.1). First, the most overarching concept is that of **system change**, referring to what Kornai calls the "two great systems:" **capitalism and socialism** [→ 5.6].[15] We may call these "general-system types," just like we call democracy, autocracy and dictatorship "general-regime types." While general-system types focus on the sphere of market action, general-regime types focus on the political institutional setting. We speak about "system change" when a regime changes from one general-system type to another, which necessarily means—as Figure 7.5 implied—that the regime moves from the vicinity of one ideal-type to another. Indeed, this happened in the primary trajectories of post-communist countries, when dictatorship was rejected together with socialism and the dominance of bureaucratic resource-redistribution. This leads us to the second, more specific type, which is **regime change**. Regime change refers to **a pattern change that changes the general-regime type of the polity**. For example, when a dictatorship becomes a democracy, we speak about regime change, just as when an autocratic breakthrough takes place [→ 4.4.1.3]. When a communist dictatorship becomes a market-exploiting dictatorship, however, that belongs to the third subtype of pattern change, which may be called **"model change."** Other examples for model change, that is, **when the general-regime type (democracy, autocracy, or dictatorship) remains unchanged** but the regime does move from the vicinity of one ideal type to another, including changes from liberal to patronal democracy and from conservative to patronal autocracy.

Table 7.1. Typology of pattern change (with ideal-typical examples).

	What changes	Examples
System change	general-system type	socialism → capitalism
Regime change	general-regime type	communist dictatorship → liberal/patronal democracy/autocracy; liberal democracy → conservative/patronal autocracy
Model change	regime type within general-regime type	communist dictatorship → market-exploiting dictatorship; liberal democracy → patronal democracy

With these concepts, we can make sense of not only the primary but also the countries' **secondary trajectories, which refers to the way from their first post-communist regime type to a second one**. Admittedly, not every polity has had a secondary trajectory, and sev-

[15] Kornai, "The System Paradigm Revisited," 23–35.

eral countries have seen only attempts at pattern change, which were later reversed. Such changes, which start from the vicinity of one ideal type regime and also end there, will be called "regime cycles."[16] In the case of successful changes, we can speak about a secondary trajectory, whereas if the polity is moved from its second post-communist regime type to a third one, that will be called the country's tertiary trajectory. This can repeat by the same logic, with the sequences leading to every successful pattern change implying a new trajectory. Overall, **the complete set of trajectories a country comprises will be called its modelled trajectory** for the given period of time.

In the following, we develop a typology of primary and secondary trajectories, using twelve post-communist countries for illustration. We are not creating case studies: we only present (1) ideal typical trajectories, meaning the ideal ways of pattern change countries could have gone through, and illustrate them by (2) modelled trajectories, meaning the countries' actual development that can be approached by the ideal type trajectories. We briefly explain how trajectories were constructed, that is, why we put the stable points where we put them, but trajectories are painted with a broad brush. **The "country studies" of the following part should only be seen as illustrative sketches:** we make them for the purpose of orientation, and the complete description of stable points and the eleven dimensions each of them represent will be provided only on the book's website.[17] This is because the goal of our book is not to document the socio-political history of these countries—we provide a conceptual toolkit. The book provides ideal type concepts—in this case, trajectories—which can be used in future research. Countries and actual polities serve only to illustrate the concepts, just like in the previous chapters, where concrete phenomena are described only to the degree they illustrated an ideal type. The utterly important work of in-depth case studies and process tracing shall be done with the tools we provide, but they are not part of the toolkit *per se.*

7.3.2. Primary Trajectories after Communism (Estonia, Romania, Kazakhstan, and China)



7.3.2.1. The end of dictatorship and the ideal types of primary trajectories

As communist dictatorships end, polities can start moving toward another ideal type regime in different ways. We may distinguish pattern changes by two dimensions:

- **the form of pattern change**, which refers to the method of transition, ending communist dictatorship and instituting a new regime;
- **the direction of pattern change**, which refers to which ideal type regime the given post-communist country starts moving toward (i.e., the type of primary trajectory).

[16] Cf. Hale, *Patronal Politics*, 87–93.

[17] https://www.postcommunistregimes.com

In the form of pattern change, we can distinguish four ideal types (Table 7.2). First, **dictatorship collapse** refers to the form where regime changers are different from (previous) regime leaders, and they do not negotiate about the exact method of regime change. Instead, regime changers use extra-legal (potentially violent) means to overthrow dictatorship and institute a new order, breaching legal continuity with the dictatorship's code. Regime changers may be (illegal) members of the opposition or perhaps even the military, organizing a coup against the dictator (although no such case appeared during the Soviet empire's collapse).[18] We may call this second form **"bottom-up,"** in contrast to **dictatorship retreat** that is **"horizontal."** Dictatorship retreat is a negotiated "lawful revolution,"[19] conducted with peaceful means and maintaining legal continuity. Typically, such a form of pattern change allows for members of the old nomenklatura to compete for political positions, but many new entrants in the political market ensure the successor of the previous state party may function only as one party among many. Third, **dictatorship transformation** implies a **"top-down"** process of the nomenklatura transforming the dictatorship into another setting that ensures their power. It involves transformation **from dictatorship to autocracy, from state party to a dominant party**. Generally speaking, a formally changed but largely continuous ruling elite emerges, changing the regime's *de jure* institutional framework in a legally continuous way. Concretely, there have been three modes of creating the dominant (transmission-belt) party in dictatorship transformation: (1) by the merger of other parties (e.g., Nur Otan in Kazakhstan); (2) by the founding of a new party (e.g., New Azerbaijan Party, People's Democratic Party of Tajikistan); or (3) by the state party formally turned into a successor party (e.g., Democratic Party of Turkmenistan).

Table 7.2. Ideal typical pattern changes from dictatorship.

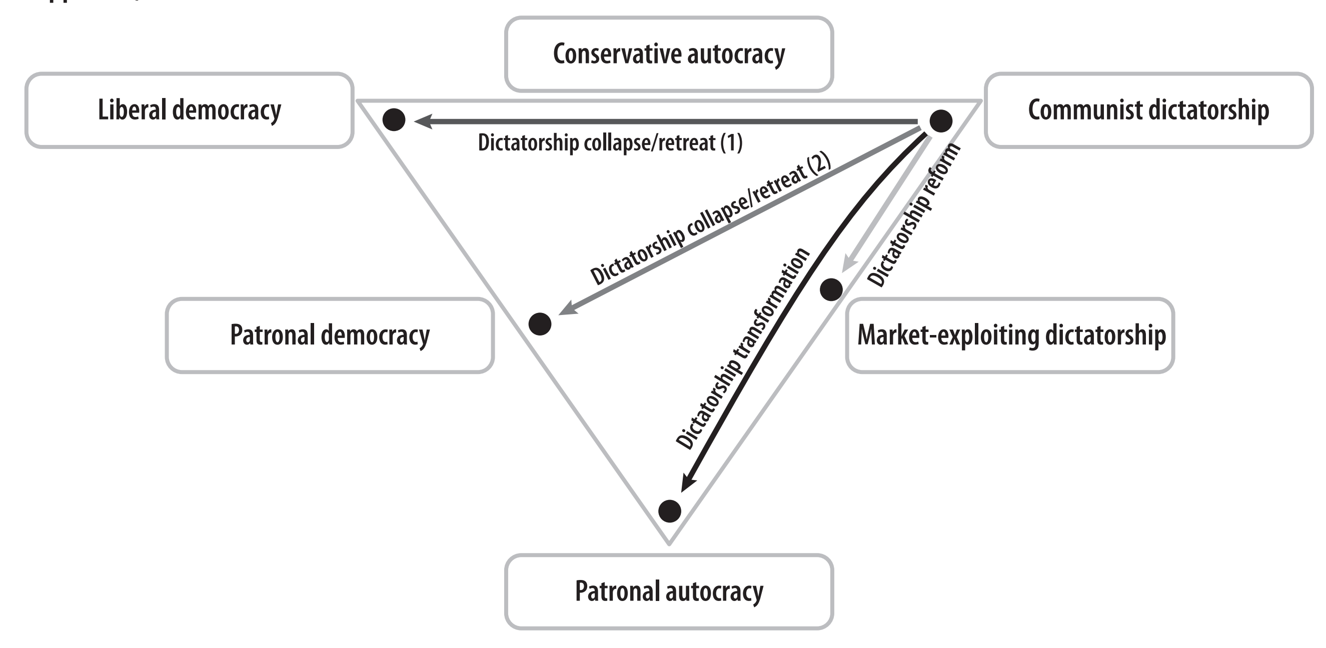
	Regime change			Model change
	Dictatorship collapse	Dictatorship retreat	Dictatorship transformation	Dictatorship reform
Sphere of political action (general-regime type)	changed	changed	changed	unchanged
Sphere of market action (general-system type)	changed	changed	changed	changed
Continuity of ruling elite	no	partial	yes (formally changed)	yes (formally unchanged)
Method of change	non-negotiated (bottom-up)	negotiated (horizontal)	non-negotiated (top-down)	non-negotiated (top-down)
Legal continuity	breached	maintained	maintained	maintained

The common ground between these three forms of pattern change is that **they are all subtypes of regime change, involving the change of both general-regime type (politi-**

[18] Bova, "Political Dynamics of the Post-Communist Transition."

[19] Király and Bozóki, *Lawful Revolution in Hungary, 1989–94*.

Figure 7.12. Ideal typical primary regime trajectories. (Note: for the sake of clarity, dictatorship transformation to conservative autocracy is not depicted, as no case similar to that ideal type has happened.)



cal sphere) and general-system type (economic sphere). Indeed, they represent not just regime but system changes, as they all reject both dictatorship and socialism. However, the fourth and final form, **dictatorship reform**, **involves only system change while leaving the general-regime type unchanged**. This is what we described above as **"model change,"** when movement between two varieties of the same general-regime type is concluded. In the case of dictatorship reform, the changes are just as top-down as in case of dictatorship transformation and the ruling elite is continuous, too, but it also keeps its original formal institutional setting. Legal continuity is naturally maintained in this process of evolution, leading from communist dictatorship to market-exploiting dictatorship.

That **dictatorship reform leads to market-exploiting dictatorship** is a logical necessity. For it is the only other type of dictatorship in our framework, whereas a change to another general-regime type would automatically qualify as regime change and not model change (possibly dictatorship transformation).[20] This leads us to the aspect of direction of pattern change (Figure 7.12). As the very point of **dictatorship transformation** is keeping the single-pyramid power network while formally changing the regime, theoretically it could lead to either conservative or patronal autocracy. However, in practice it **has only led to patronal autocracy**, as exemplified by the countries from the Islamic historical region mentioned previously.[21] In contrast, **dictatorship collapse and retreat may lead to liberal or patronal democracy**. Which one occurs depends on whether anti-patronal transformation takes place (see below), and also on the extent of continuity of the ruling

[20] But see Pei, "Comment."

[21] Luong, *Institutional Change and Political Continuity in Post-Soviet Central Asia*.

elite. In the case of dictatorship retreat, there is a greater chance for the emergence of a nomenklatura-based clan than in cases of collapse, which however also do not exclude the possibility of ethnicity, party, and fraternity-based clans [→ 3.6.2.1].

7.3.2.2. Regime change to liberal democracy: Estonia

While every post-communist country had a primary trajectory, we may **illustrate the four ideal type trajectories of Figure 7.12 by four countries that had no secondary trajectories**. That is, the following countries changed from communist dictatorship to another regime type and have stayed there ever since (as of 2019), either in a stable or a dynamic equilibrium.

Estonia is an example for changing to a stable equilibrium, namely liberal democracy. In 1991, Estonia experienced dictatorship retreat and regained independence.[22] Figure 7.13 shows this, with a new stable point starting in 1992 and lasting ever since. Indeed, the country has shown remarkable **stability in terms of normative and free-market oriented economic policy**, on the one hand,[23] and **non-patronal, multi-pyramid ruling elite** with numerous politicians' parties and limited power, on the other hand. In 1992, a new constitution was approved and suffrage was extended to people registered as citizens in a referendum.[24] In early years, this also meant the exclusion of a major segment of the Russian minority from suffrage (a feature our triangular framework does not account for [→ 7.4.1]).[25] However, since 1996 the country has gained the highest country rating for political freedom in Freedom House reports,[26] and it has done similarly well by the Liberal Democracy Index of the V-Dem project.[27] According to Hale, Estonia is among the less patronalistic countries of the post-communist region, and even existing patronal tendencies have been limited by a parliamentarist constitution.[28]

Nevertheless, the Estonian transition has been described as elitist and even "tutelary," "characterised by the dominance of political elites in making decisions and steering society in a direction that the elites see as necessary for the development of society and the good of the people."[29] Yet this has resulted neither in a dominant-party system[30] nor in systemic corruption and the prevalence of oligarchs and poligarchs devoted to power monopolization and personal-wealth accumulation.[31] Moreover, with internal dynamics stemming mainly from ethnic conflicts,[32] as well as the emergence of identity politics and right-wing

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[22] Smith, *Estonia*.

[23] Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*, 96–137.

[24] Smith, *Estonia*, 65.

[25] Levitsky and Way, *Competitive Authoritarianism*, 14.

[26] "Freedom in the World: Country and Territory Ratings and Statuses, 1973–2019 (Excel)."

[27] Coppedge et al., "V-Dem Country-Year Dataset 2019."

[28] Hale, *Patronal Politics*, 459–60.

[29] Pettai, "Understanding Politics in Estonia: The Limits of Tutelary Transition."

[30] Mikkel, "Patterns of Party Formation in Estonia: Consolidation Unaccomplished."

[31] Taagepera, "Baltic Values and Corruption in Comparative Context."

[32] Ehala, "The Bronze Soldier."

populism,[33] **Estonia is generally not unlike Western liberal democracies**. The major difference, of course, that also causes its modelled trajectory's deviance from the ideal type, is that it is a post-Soviet country, meaning its development was closely tied to that of the Soviet Union before 1991. Indeed, in Figure 7.13 the first two stable points belong to the Soviet Union. In the following, every post-Soviet country we use as an illustration involves the same two points, referring to the Brezhnev era of hard dictatorship (1964–1984) and to the Gorbachev era leading to the Soviet Union's dissolution (1985–1991). Post-Soviet countries' primary trajectory starts from this latter point—in the case of Estonia, a pattern change to liberal democracy and **consolidation in a stable equilibrium situation**.

Figure 7.13. Modelled trajectory of Estonia (1964–2019).

Conservative autocracy
Liberal democracy
1964–1984
Communist dictatorship
1992–
1985–1991
Patronal democracy
Market-exploiting dictatorship
Patronal autocracy

7.3.2.3. Regime change to patronal democracy: Romania

While Estonia represents a case of stable equilibrium and change to liberal democracy, **Romania is a country with a primary trajectory to the dynamic equilibrium of patronal democracy**. As can be seen in Figure 7.14, Romania approached—after a dictatorship collapse and the execution of general party secretary Nicolae Ceaușescu in 1989—patronal democracy and it has oscillated around this ideal type ever since.[34] More precisely, the stable points are to be understood as follows. The period from WWII to the collapse of the regime (1947–1989) started with rapid communist nationalization, and the dominance of state ownership, bureaucratic resource-redistribution and bureaucratic patronalism of the state party were maintained.[35] From 1990 to 1996, there was a transitional period under President Ion Iliescu. This period was characterized by institution building, as well as the

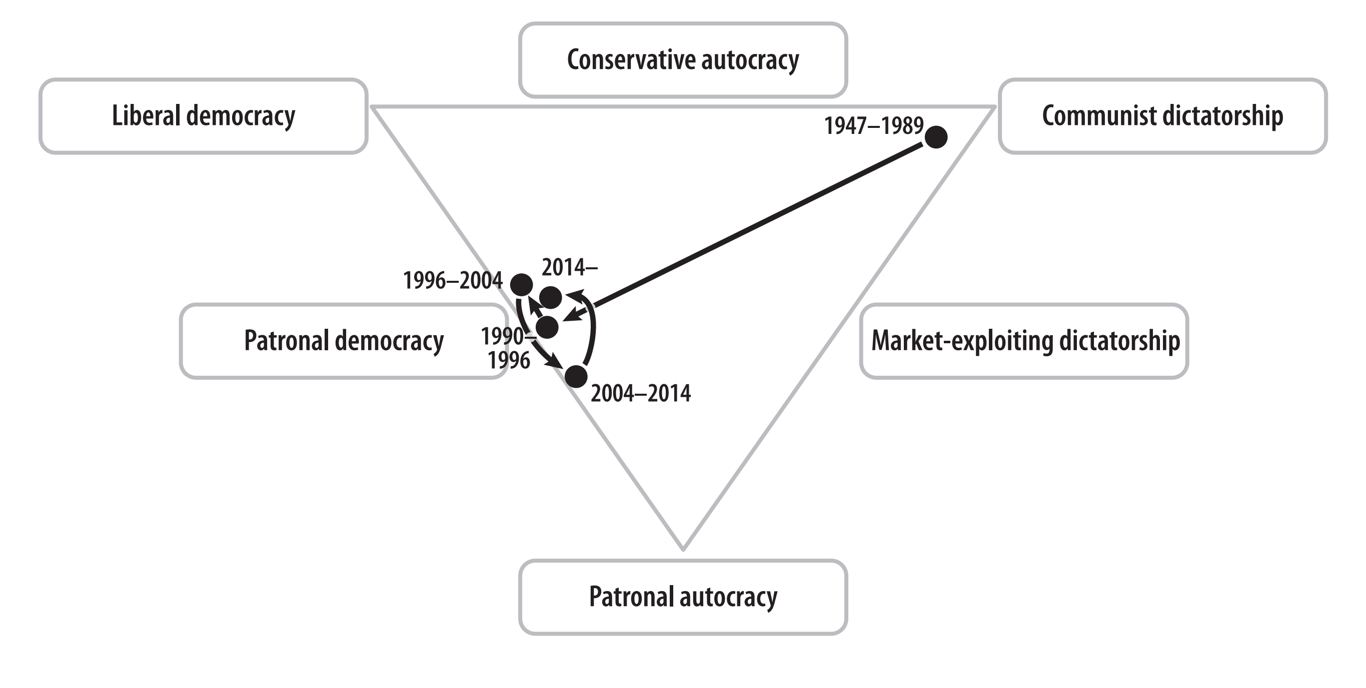
33 Petsinis, "Identity Politics and Right-Wing Populism in Estonia."

34 Roper, *Romania*.

35 Roper, *Romania,* 13–64.

creation of a divided-executive system, with the president and the prime minister both having important powers. This led to clashes between them in the 1990s: as Magyari notes, "[the] period of the Iliescu presidency was marked by antagonism between the President and the government, the most extreme case being the conflict with Prime Minister Petre Roman. In its aftermath, President Iliescu was a participant in, and initiator of, the forceful toppling of the government and the firing of the Prime Minister."[36] Indeed, this period already saw the development of multi-pyramid system of competing patronal networks. Hale goes as far as to describe Iliescu as Romania's "first patronal president" who however "'did not significantly tamper with the 1996 parliamentary or presidential elections' despite having 'months of warning' that he was likely to lose."[37] This indicates electoral democracy with only unfair but not manipulated elections, and this setting has provided the framework for the competition of informal patronal networks since. "The two key parties, which tend to exchange one another in government, are not what they claim to be. The PSD is deeply integrated (Iliescu remains the party's honorary president) and built on the power of local power brokers. It is everything but not a social democratic party, as its policies are neoliberal and pro-nouveau riche, inconsistent, and serve the interests of small groups. [...] The 'New PNL' ('New' National Liberal Party) is controversial and not at all liberal, but is a populist/popular party confused over its political philosophy. The third force is the ethnically organized Democratic Alliance of Hungarians in Romania (RMDSZ in Hungarian, DAHR in English), which does not accept any ideology but which ethnicizes politics. Ideology-free parties are marked by, on one hand, a move toward people's party features, attempting to address all, while on the other hand they are typically loot-acquiring parties,

Figure 7.14. Modelled trajectory of Romania (1964–2019).



[36] Magyari, "The Romanian Patronal System of Public Corruption," 311.

[37] Hale, *Patronal Politics*, 462. Also, see Vachudova, *Europe Undivided*.

wholly characterized by 'party patronage' based on distributing available public life functions and taking advantage of such."[38]

The period from 1996–2004 was the most liberal period of Romania to date, under Prime Ministers Victor Ciorbea (1996–1998), Mugur Isărescu (1999–2000) and Adrian Năstase (2000–2004). However, that Năstase was later found guilty in two corruption cases[39] indicates that this period was not devoid of actors engaging in informal practices, while formal institutional constraints remained strong and actors were not able to simply step over them. This point is also illustrated by the presidency of Traian Băsescu from 2004–2014. He has clearly shown the intention of building a single-pyramid patronal network and transforming the country into a patronal autocracy.[40] Yet lacking an effective monopoly of political power, he faced strong balances from the formal institutional setting, particularly the National Anticorruption Directorate (DNA), the National Agency for Fiscal Administration (ANAF), and the Attorney General. By the end of his term, there were nearly eighty investigations of him, and for a few of these, the DNA and the Attorney General have even submitted official indictments.[41] Since 2014, the country has moved back to the more competitive landscape of patronal democracy under President Klaus Iohannis.[42]

All these changes illustrate the dynamic equilibrium of patronal democracy. **Unlike a stable equilibrium where dynamics remains internal and the country remains at one stable point, a dynamic equilibrium involves constant oscillation and attempts to alter regime-specific features.** However, as Figure 7.14 illustrates, these movements can be contained by the social and institutional boundaries explained in Chapter 4, particularly divided executive power and the proportionate electoral system, which allows for the alteration of political forces in formal offices [→ 4.4.2.2]. Hence, in countries like Romania no pattern change has happened in spite of the numerous sequences that are involved in dynamic equilibrium.

7.3.2.4. Regime change to patronal autocracy: Kazakhstan

A fine example of dictatorship transformation, **Kazakhstan** represents a primary trajectory **from communist dictatorship to patronal autocracy** (Figure 7.15). Months before the country declared independence in 1991, general party secretary Nursultan Nazarbayev was named president by the dictatorship's legislature. Later, he ran alone in the country's first presidential election, winning 95% of the votes.[43] Formally, the communist party dissolved into two successor parties, the Socialist Party and the Congress Party, both led by Nazarbayev's clients while he remained formally independent. However, Nazarbayev could not consolidate his rule until 1994, meaning he could fully control neither the parliament nor some members of the ruling elite with considerable political and economic resources. Hale describes how members of parliament blocked some of Nazarbayev's bills and started

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[38] Magyari, "The Romanian Patronal System of Public Corruption," 309–10.

[39] Magyari, "The Romanian Patronal System of Public Corruption," 311.

[40] Dragoman, "Post-Accession Backsliding."

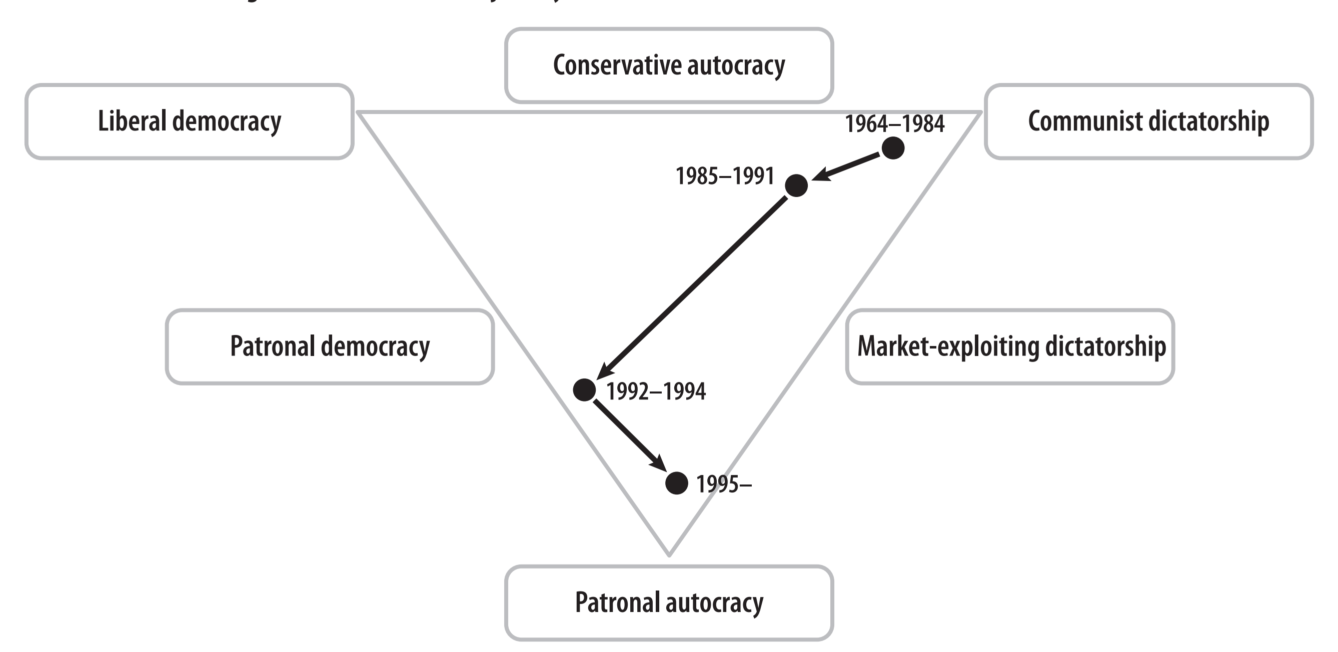
[41] Magyari, "The Romanian Patronal System of Public Corruption," 311.

[42] Marton, "Regime, Parties, and Patronage in Contemporary Romania."

[43] Minahan, *Miniature Empires*, 136.

collecting kompromat against him, while seemingly potent opponents (including the leader of the Congress Party) signaled presidential ambitions.[44]

Figure 7.15. Modelled trajectory of Kazakhstan (1964–2019).



In 1994, Nazarbayev used the privatization process as well as his own state and presidential powers to promote oligarchs and build an informal patronal network,[45] and in 1995 he changed the constitution one-sidedly, expanding his competences, after the Constitutional Court suddenly declared that the parliament had been elected illegally and its powers were null and void.[46] From that year on, Nazarbayev instituted a stable equilibrium patronal autocracy. He remained "above party president" until 1999, when he became leader of his newly formed vassals' party, Nur Otan, which has won every seat in legislative elections since. Opposition parties do exist, however, operating in a typical landscape of domesticated parties (like Ak Zhol and Communist People's Party of Kazakhstan) as well as marginalized parties (like the Nationwide Social Democratic Party).[47] Kazakhstan's economy has also been under the control of Nazarbayev's adopted political family [→ 3.6]. As Hale reports, Nazarbayev has "presided over a massive consolidation of the country's assets under the control of his closest associates, including relatives. One noteworthy development was the emergence of the massive holding company Foundation for National Well-Being Samruk-Kazyna, which […] counted Nazarbayev's son-in-law Timur Kulibaev among its top formal leadership. By some calculations, this entity con-

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44 Hale, *Patronal Politics*, 139–40.

45 Cummings, *Kazakhstan*.

46 Hale, *Patronal Politics*, 140.

47 Isaacs, *Party System Formation in Kazakhstan*.

trolled as much as 45 percent of the country's GDP."[48] Since then, he further consolidated his regime by tightening his grip on most important political and economic resources, eliminating every threat and the autonomy of potentially dangerous resource owners.[49] In short, **Nazarbayev has achieved informal patronalism from bureaucratic patronalism**, adapting it to new circumstances.

We chose Kazakhstan as an illustration for this primary trajectory because it has been the closest to ideal typical patronal autocracy since the end of its primary trajectory in 1995. Yet **there were other dictatorship transformations in Soviet-Central Asia, too, which concluded somewhere between patronal autocracy and market-exploiting dictatorship**. As Hale reminds, "in Turkmenistan and Uzbekistan […] the Soviet Union's Communist Party structure remained intact during the last stages of perestroika and the local party bosses ruled through it during the transition to independence, effectively just renaming the party." He goes on to call these regimes "full-on dictatorships" with no genuine opposition party allowed.[50] Moreover, Turkmenistan maintained its one-party system until 2008, after which a dominant-party system with fake opposition was created [→ 3.3.9, 4.3.2.4]. As for real opposition, they are "not only prevented from getting on the ballot. In these countries, they are systematically jailed, tortured, or exiled and, more generally, effectively denied any outlet whatsoever to publicize their views in openly circulated print or electronic media. […] While some other patronal presidential systems […] features closed polities and harass and occasionally either jail or (informally) exile their critics, even the most closed of them (such as Belarus) feature nothing approaching this level of systematic repression, which strongly resembles what existed in the USSR but without the communist ideology."[51]

7.3.2.5. Model change to market-exploiting dictatorship: China

The final illustration in this part is of **the primary trajectory from communist to market-exploiting dictatorship: China** (Figure 7.16). China is the paradigmatic case of such model change, executed outside the Soviet Union and avoiding the third wave of democratization.[52] If we are to sequence Chinese developments, the country was near the ideal typical (heavy) **communist dictatorship under the leadership of Mao Zedong from 1949**. After his death, the next so-called "paramount leader" of China became Deng Xiaoping in 1978, the same year the Chinese Communist Party held its historic Third Plenum of the Eleventh Party Congress that put China on the course of market liberalization.[53] In the triangle, the stable point **from 1979–1991** represents **the period of power decentralization and production-structure opening**, as described in Chapter 5 [→ 5.6.2.2].

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[48] Hale, *Patronal Politics*, 250.

[49] Peyrouse, "The Kazakh Neopatrimonial Regime."

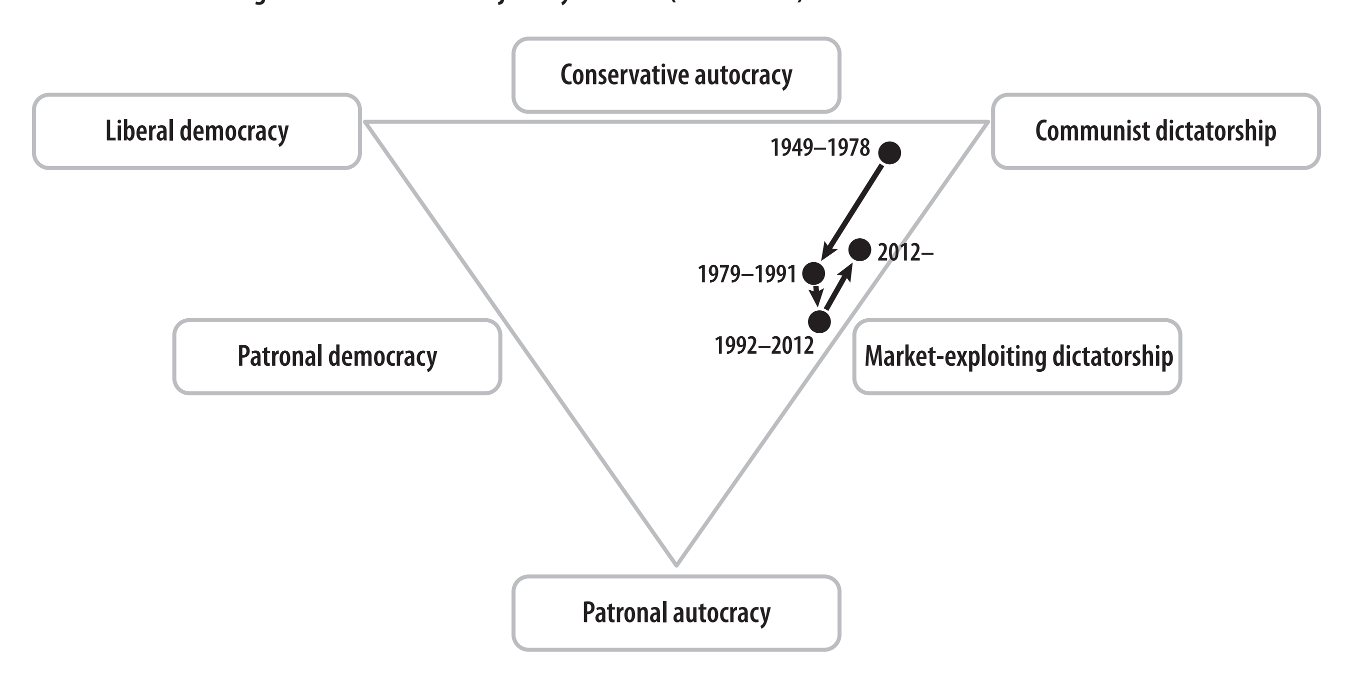
[50] Hale, *Patronal Politics*, 243–48.

[51] Hale, *Patronal Politics*, 243.

[52] Huntington, *The Third Wave*, 105–6.

[53] Shirk, *The Political Logic of Economic Reform in China*, 38.

Figure 7.16. Modelled trajectory of China (1949–2019).



Stronger liberalization and decentralization followed after **Deng's Southern Tour of 1992**, consolidating the country at an equilibrium of market-exploiting dictatorship.[54] Yet the last point in the triangle shows backlash toward dictatorship, as it represents the **strong centralization under Xi Jinping since 2012**.[55] Heilmann interprets Xi's reforms as a return to crisis mode, which is a temporary reintroduction of stronger dictatorial functioning to counter an extraordinary situation [→ 3.3.8]. As he writes, Xi "obviously sensed that the decision-making and loyalty crises in the Politburo under General Secretary Hu Jianto (2002–12) and the corruption and organization crises in the Communist Party had collectively reached a dangerous level […]. Therefore, the best way to achieve […] organizational stability […] was through a concentration of political power and centralized decision-making, organizational and ideological discipline, extensive anti-corruption measures, and the prevention of any attempts to form factions or cliques within the party, coupled with a campaign against Western values and concepts."[56] In the triangle, this means a movement to the dominance section of ideology-drivenness, as well as closer to bureaucratic-resource distribution and totalitarian rule. Yet this is still not a secondary trajectory, that is, not a (emerging) pattern change toward communist dictatorship. Xi's reforms remain within the logic of market-exploiting dictatorship, and mainly decrease the share of relational market-redistribution, not market coordination, in the country's markets. China has exploited markets for decades and understood its benefits: the reformed nomenklatura will not break down the reforms and return to a setting that only had a stronger grip but not a stronger economy or legitimation. **The essence of Xi's reforms is strengthening**

[54] Pei, *From Reform to Revolution*, 84.

[55] Economy, "China's Imperial President."

[56] Heilmann, "3.1. The Center of Power," 161.

bureaucratic patronalism to avoid informal patronalism, not to return to communist dictatorship. Hence, China remains an example of market-exploiting dictatorship and its modelled trajectory, an example of dictatorship reform.

7.3.3. Secondary Trajectories after the Regime Change (Poland, the Czech Republic, Hungary, and Russia)



7.3.3.1. Democratic backsliding and the lack of upward movement as a secondary trajectory

Table 7.3 sums up the primary trajectories of the post-communist region. In theory, countries could have followed five trajectories, leading to five possible targets—the five ideal type regimes besides communist dictatorship. In practice, they did move toward four: from a single-pyramid, bureaucratic patronal setting, they changed either to liberal democracy (multi-pyramid non-patronal), patronal democracy (multi-pyramid informal patronal), patronal autocracy (single-pyramid informal patronal), or market-exploiting dictatorship (single-pyramid bureaucratic patronal). Only one possible target, conservative autocracy, was not approached. Nevertheless, countries scattered all around a triangle, from liberal democracy in the Baltic countries to patronal autocracy in Soviet Central Asia.

Table 7.3. Ideal typical primary trajectories in the post-communist region.

	Primary trajectories	
	from	to
A **Regime change** (e.g., Estonia, Hungary)	Communist dictatorship	Liberal democracy
	Single-pyramid bureaucratic patronal	Multi-pyramid non-patronal
B **Regime change** (e.g., Romania, Ukraine)	Communist dictatorship	Patronal democracy
	Single-pyramid bureaucratic patronal	Multi-pyramid informal patronal
C **Regime change** (e.g., Kazakhstan)	Communist dictatorship	Patronal autocracy
	Single-pyramid bureaucratic patronal	Single-pyramid informal patronal
D **Model change** (e.g., China)	Communist dictatorship	Market-exploiting dictatorship
	Single-pyramid bureaucratic patronal	Single-pyramid bureaucratic patronal

Moving on to typing **secondary trajectories**, that is, the pattern changes post-communist countries experienced after their primary trajectory, the term we adopt in our toolkit is **democratic backsliding**. In hybridology, “democratic backsliding” or “decay” is used for deterioration of a democratic polity in terms of freedom, civil rights and liberties, and the

constitutional functioning of institutions of public deliberation in general [→ 4.3].[57] At first sight, the concept is a normative one, and it seems to carry implicitly the presumption of transitology as well: the country is sliding "back," as if there was a single street—the democracy-dictatorship axis—where movement from democracy was only possible toward the original starting point (dictatorship). However, in our understanding, "democratic backsliding" is a descriptive concept, and it means **movement from a democracy to (a) conservative autocracy, (b) patronal democracy, and (c) patronal autocracy**. Pattern changes to dictatorships are theoretically possible but highly unlikely, for democracies—and even patronal autocracies—rely on electoral civil legitimacy, which cannot accommodate an outright one-party system [→ 4.2].[58]

Table 7.4. Ideal typical secondary trajectories (of democratic backsliding) in the post-communist region.

	Secondary trajectories: democratic backsliding	
	from	**to**
A **Regime change** (e.g., Poland after 2015)	Liberal democracy	Conservative autocracy
	Multi-pyramid non-patronal	Single-pyramid non-patronal
B **Model change** (e.g., the Czech Republic after 2013)	Liberal democracy	Patronal democracy
	Multi-pyramid non-patronal	Multi-pyramid informal patronal
C **Regime change** (e.g., Hungary after 1998)	Liberal democracy	Patronal autocracy
	Multi-pyramid non-patronal	Single-pyramid informal patronal
D **Regime change** (e.g., Russia after 2003)	Patronal democracy	Patronal autocracy
	Multi-pyramid informal patronal	Single-pyramid informal patronal

In the post-communist region, **we have seen no upward movement in the triangle as a secondary trajectory**. There have been upward movements as tertiary or quaternary trajectories, which we discuss in the next part on regime cycles [→ 7.3.4]. But as far as secondary trajectories are concerned, all cases we observed belong to the category of democratic backsliding (Table 7.4). In the following, we take four countries, illustrating different forms of backsliding with different starting and/or endpoints. Again, the selection criterion—besides the presence of democratic backsliding—was that these countries produced only one trajectory after their primary one, and no subsequent "democratic progress" or different pattern change has taken place. Although this may be a matter of time: in the cases of the first two illustrative countries, Poland and the Czech Republic, there have only been attempts at pattern change, and there are considerable chances that they will be turned back eventually

57 For a meta-analysis, see Daly, "Democratic Decay."

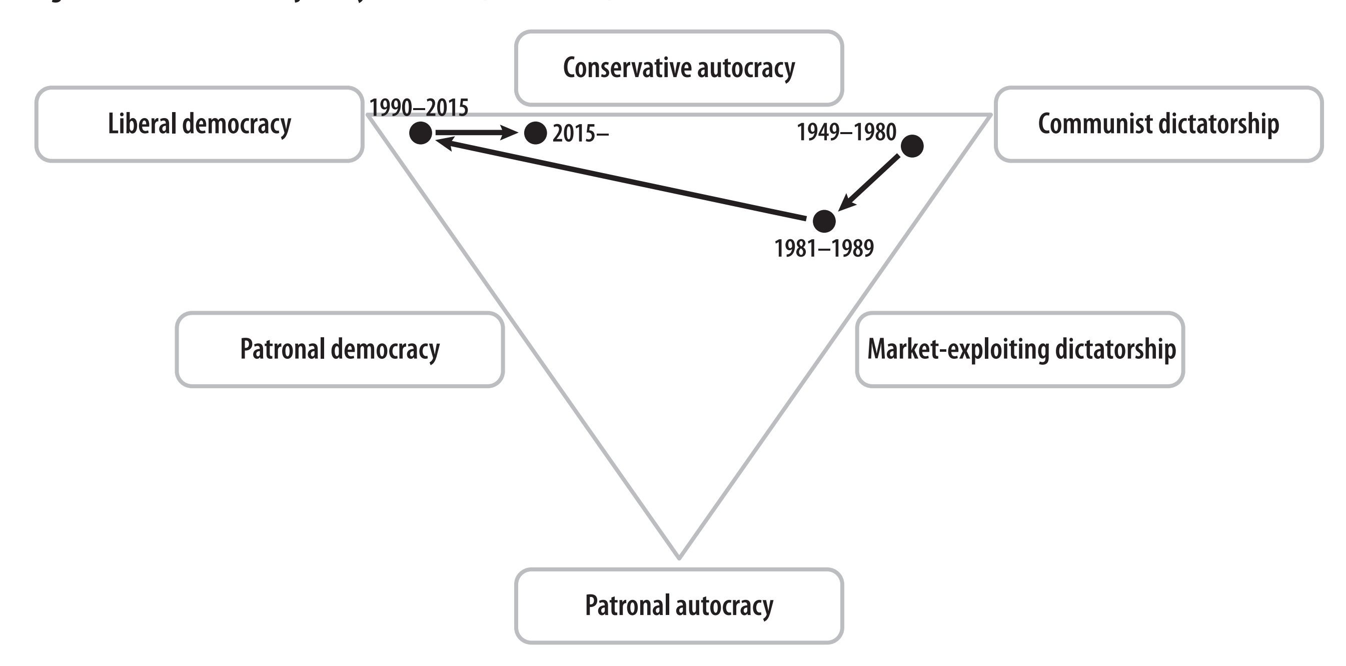
58 Cf. Dukalskis and Gerschewski, "What Autocracies Say (and What Citizens Hear)."

by the polities' strong defensive mechanisms [→ 4.4.1.3]. Yet the two other cases that have led to patronal autocracy, Hungary and Russia, have been successful in achieving autocratic breakthrough and change from a multi-pyramid to a single-pyramid setting.

7.3.3.2. Backsliding toward conservative autocracy: Poland

While **Poland** represents the only case for a **conservative autocratic attempt** in the post-communist region, it was a consolidated liberal democracy until 2015 (Figure 7.17). Previously, it was a communist dictatorship from 1949–1989, with a period of softening from 1980.[59] Besides the stronger presence of the so-called second economy of moderately tolerated private enterprise [→ 5.3.5.1], Solidarity Movement, growing out of the Shipyard of Gdańsk under the leadership of Lech Wałęsa was no longer just a parallel society, but also an embodiment of a parallel political power. Even a few years after the introduction of martial law, it started to play a definitive role in the revitalization of civil society. The Solidarity Movement was unique in the region not only for its size (10 million members), but also its heterogeneity: it joined individuals and groups of various worldviews, of different social positions, and was strongly supported by the Catholic Church as well as Pope John Paul II, former archbishop of Cracow.[60] A constellation of this sort was unimaginable in any other socialist country, although other reform-communist dictatorships did exist in the Western-Christian historical region [→ 1.3.1].

Figure 7.17. Modelled trajectory of Poland (1949–2019).



In 1989, Poland experienced a dictatorship retreat, involving negotiations between the ruling communist parties and the actors of the political opposition. In this country, just like

[59] Kemp-Welch, *Poland under Communism*.

[60] Kubik, *The Power of Symbols Against the Symbols of Power*.

in Hungary, the part of the communist party ready to be compromised by the talks was the one ready to face realities. In neither country was transition or a regime change the aim of these members of the communist party, but rather the legitimization of measures required to deal with the economic crisis made it seem worthwhile to involve an opposition they believed was weak. Yet it was the broadly supported Solidarity, as trailblazer of the process and a movement gathering the actors critical of the system, who negotiated with the regime—with the mediation of the Catholic Church.[61] After the first democratic elections of the eastern bloc took place in 1989, a number of parties formed out of the Solidarity Movement, while Solidarity began to function as a real labor union.[62]

From 1990–2015, three right-wing or center-right governments carried out shock therapy reforms, trying to institute market coordination as the dominant mechanism of the economy.[63] The first one was conducted by the finance minister of the Mazowiecki government, Leszek Balcerowicz in 1990, which helped complete a relatively quick switch from a state socialist shortage economy to market competition based on private ownership. The second shock therapy is attributed to the Buzek government (1997–2001), in which Balcerowicz was deputy prime minister and finance minister. Significant reforms were introduced in four major fields: education, pensions, public administration, and healthcare. Finally, under the first government formed by the PiS (Law and Justice, the party of Jarosław Kaczyński; 2005–2007), new radical changes were introduced in the battle against corruption, for lustration, and to "clean up" the secret services. The leading politicians, and intellectuals/experts of PiS, in government between 2005 and 2007, and the Civil Platform, in government from 2007–2015, were all the legacy of the Mazowiecki and Buzek government. The Polish right wing has represented free market and capitalism right from the start, and they have not changed these fundamental principles even after both the Mazowiecki and the Buzek governments essentially suffered huge defeats.

Although Kaczyński started an autocratic attempt with PiS in 2015,[64] the lack of legitimacy of statist interventionism in the economy, as well as the lack of substantial oligarchs and poligarchs explains why **Poland's democratic backsliding did not lead to patronal regimes but toward conservative autocracy**. With a 51% majority in the parliament (i.e., without an effective monopoly of power), Kaczyński introduced politics that were subordinated to the principle of ideology implementation. For him, the concentration of power goes hand in hand with the goal of achieving a hegemony of a "Christian-nationalist" value system [→ 3.5.3.2]. It follows from this that the liberal value system built on the autonomy of the individual is viewed as an enemy, since the nation considers the interests of the Polish collective as higher than the interests of the individual. In the economy, this has manifested in preferring centralized regulation and state investment as the main vehicles of development instead of FDI, accompanied by economic xenophobia and "crawling renationalization."[65] Yet this has not included post-communist ownership redistribution [→ 5.5.3], and no new layer of owners has been brought up. There are no inner-circle

61 Kemp-Welch, *Poland under Communism*, 361–90.

62 Szczerbiak, "Power without Love: Patterns of Party Politics in Post-1989 Poland."

63 Balcerowicz, "Poland: Stabilization and Reforms under Extraordinary and Normal Politics."

64 Sadurski, *Poland's Constitutional Breakdown*.

65 Kozarzewski and Bałtowski, "Return of State-Owned Enterprises in Poland."

"Kaczyński oligarchs," nor ones that are systematically built through shelter provision [→ 5.5.4]. Actual decision-making also remains centered within the framework of formal institutions, with Kaczyński occupying the peak of the power pyramid as the president of PiS. An oddity of Kaczyński's rule is that he chose to be a simple MP, not a prime minister,[66] but he still acts within the formal institutional setting of the party and does not decide on matters like personal-wealth accumulation that would reach beyond formal competences [→ 3.3.8]. Loyal members of the power pyramid are rewarded with office and not wealth, and the economy is—in line with Kaczyński's ideology—not informally patronalized and only in some parts did the state expand its ownership.

Chances of the Polish conservative attempt at building an autocracy being defeated are strong even under the current democratic institutional framework. This is ensured by strong defensive mechanisms, like the proportional electoral system, constitutionally preventing excessive power concentration,[67] and strong civil society. The latter involves the social traditions of resistance to authority, the civil movement building on these traditions, the existence of moderate right and liberal parties constituting the main body of opposition forces, PiS being forced onto the extreme right of the political spectrum, the political diversity offered by the municipal governments, and the firm media-platforms for the freedom of expression. At the same time, the possibility of turning toward patronal autocracy is also prevented by the very character of PiS, its personal composition, principles, and program, as well as the tradition and present of the Polish right. In its current form PiS is not capable of following a downward tertiary trajectory in the triangle, for many circumstances and components are missing for it to do so.[68]

7.3.3.3. Backsliding toward patronal democracy: the Czech Republic

The Czech Republic is another country that saw a relatively long period of liberal democracy without an attempt at pattern change (Figure 7.18). After the so-called Velvet Revolution in **1989**, the Czech Republic (then Czechoslovakia) was among the countries with least patronal legacy in the region,[69] which combined with a parliamentary constitution[70] **produced a vivid but stable democratic regime**. This has been evident from Freedom House ratings[71] and V-Dem indices,[72] while vividness also manifested in frequent changes in government, including an almost complete renewal of the party system in 2010.[73] True, parties have been accused of having weak linkage to the masses[74] and strong ties to the economic

66 Sata and Karolewski, "Caesarean Politics in Hungary and Poland."

67 Sadurski, *Poland's Constitutional Breakdown*, 140–43.

68 For a more detailed, comparative analysis of Poland and Hungary, see Magyar, "Parallel System Narratives."

69 Hale, *Patronal Politics*, 60.

70 Hale, *Patronal Politics*, 459.

71 "Freedom in the World: Country and Territory Ratings and Statuses, 1973–2019 (Excel)."

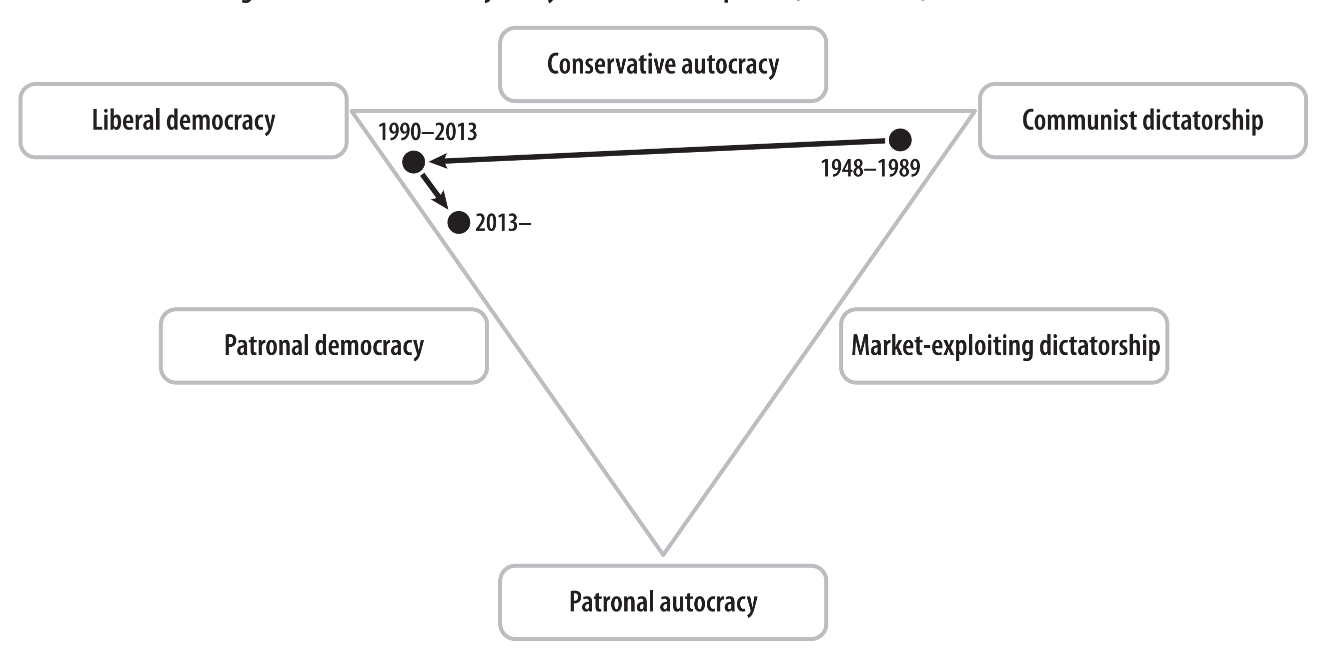
72 Coppedge et al., "V-Dem Country-Year Dataset 2019."

73 Haughton, Novotná, and Deegan-Krause, "The 2010 Czech and Slovak Parliamentary Elections."

74 Roberts, "Czech Democracy in the Eyes of Czech Political Scientists."

elite,[75] whereas Hanley and Vachudova describe so-called "regional godfathers," oligarchs and "smaller corrupt business groups whose more publicized capture of the regional organizations of key Czech parties gave them growing political influence in mid-2000s. [They] are expected to assert [their] interests […] using the services of lobbyists and lawyers in the wealth defence industry or by bankrolling non-governmental organizations (NGOs), politicians, or parties."[76] In our terms, such activity mainly falls under the terms of lobbying and cronyism, but without top-down patterns of corruption appearing [→ 5.3]. In other words, **the ruling elite *per se* was not dominantly subordinated to the principle of elite interest**, power monopolization and wealth-accumulation, whereas both civil society and formal institutions remained strong. Hence, the stable point from 1990–2013 is nearer to liberal than patronal democracy.

Figure 7.18. Modelled trajectory of the Czech Republic (1964–2019).



In 2013, however, **Andrej Babiš**, a member of the Czech Republic's "half a dozen billionaire oligarch 'families,'"[77] decided to enter politics. ANO (YES), a vassal's party founded only two years earlier and backed by Babiš's vast business and media empire,[78] won seats in the Czech parliament and became the coalition partner of the Social Democrats. In this government, Babiš held the post of finance minister until 2017, when he managed to form a minority government with himself as prime minister.[79] **In spite of the lack of monopoly of power, ANO**, according to Hanley and Vachudova, **managed to accumulate power in the state administration, as well as in state-owned enterprises, in the police and secret**

75 Innes, "Corporate State Capture in Open Societies."

76 Hanley and Vachudova, "Understanding the Illiberal Turn," 285.

77 Hanley and Vachudova, "Understanding the Illiberal Turn," 284.

78 Hanley and Vachudova, "Understanding the Illiberal Turn," 285–387.

79 Hanley and Vachudova, "Understanding the Illiberal Turn," 277.

services, in the economy, and in the media. "The positions that Babiš and his ANO associates held in government gave them the power to shape institutions and policies that regulate economic actors. By controlling the Ministry of Finance 2014–17, for example, Babiš controlled the state bodies tasked with inspecting the financial activities of Czech businesses and their compliance with tax laws. This gave Babiš access to information about his political and business competitors and thus potential leverage over them. […] Concerns about Babiš misusing state power have also centred on his close relationships with police officers, prosecutors and the secret services, and the implications of these relationships for safeguarding the rule of law. [Moreover,] it has long been striking how many former high-level police and secret service officers have moved to the security division of Agrofert [Babiš' main company] or to the helm of one of its companies over the past two decades […]. Babiš used Agrofert to gather a critical mass of individuals with the power to misuse state information and blackmail state officials. These individuals have, with the rise of ANO, made a smooth transition to party politics and to government."[80] The authors report that Babiš appears to have used his power to make a threat to the outlet Echo24 (which he considered a hostile publication) that its main investor, Jan Klenor, could soon become the target of a financial investigation by the state.[81] He was also accused of channeling public funds from the EU to his business, which in 2019 spurred the largest demonstrations in the country since the regime change.[82]

On the one hand, **the fact that an oligarch becomes a poligarch, turning an economic venture into a political venture is a clear step toward informal patronalism**, with a head of executive running on the principle of elite interest. On the other hand, backsliding in the Czech Republic has only led toward patronal democracy. Aside from patronalization attempts in public administration, Babiš has not attacked formal checks and balances, in spite of formal control mechanisms being rather active (Czech law enforcement investigated against Babiš and he was also stripped of his parliamentary immunity in 2017).[83] Indeed, he has tried to use the state to promote his own network while suppressing opponents, just as a competing patronal network of patronal democracy. Should his strategy be successful, rival oligarchs' networks may enter into the party competition, too, increasing the number of patron's parties and pushing the country closer to patronal democracy. Yet politicians' parties capitalizing on popular resistance may hinder such developments in the long run, whereas backsliding to autocracy seems unimaginable without monopoly of political power and with strong autonomous oligarchs, as well as formal institutions and civil society.

7.3.3.4. Backsliding to patronal autocracy from liberal democracy: Hungary

Hungary has probably the "longest" trajectory of the post-communist countries, in the sense that is has seen pattern changes **from communist dictatorship to liberal democracy (primary trajectory) and from liberal democracy to patronal autocracy (secondary**

[80] Hanley and Vachudova, "Understanding the Illiberal Turn," 288.

[81] Hanley and Vachudova, "Understanding the Illiberal Turn," 287.

[82] "Billionaire Czech Prime Minister's Business Ties Fuel Corruption Scandal."

[83] "Czech Election Front-Runner Charged with Subsidy Fraud."

trajectory). This is depicted on Figure 7.19, starting from a stable point at 1949–1968, the years of hard, communist dictatorship with forced collectivization and industrialization.[84] **In 1968, the New Economic Mechanism (NEM) was introduced**, involving reforms toward decentralization, price liberalization, wage liberalization, and the development of an extended system of secondary manufacturing branches and small farms attached to state cooperatives. NEM resulted in the softer, reform socialist model known as "Goulash communism,"[85] which increased the income of the workers and eased the inflexibility of the rigid planned economy. Indeed, the controlled coexistence of the first and second economies meant a step toward market-exploiting dictatorship, and China can be seen as a mature follower of these early socialist reforms.[86]

Hungary was the other country (beside Poland) that **experienced a dictatorship retreat. The establishment of the Opposition Roundtable in 1989** unified the opposition for talks with the communist party to ensure a peaceful transition.[87] In the course of the negotiations the reform-communists no longer had the chance to ensure themselves a guaranteed powerbase unaffected by political competition, as the Polish Sejm did, but aimed instead to have a semi-strong presidential position installed with similar authorities vested in it. A separate deal between the MDF (Hungarian Democratic Forum) and the reform-communists was forestalled by a referendum at the end of 1989 initiated by the SZDSZ (Alliance of Free Democrats) that preceded the first free elections in 1990. In the 1990s, Hungary was treated as a forerunner of democratization, involving both economic liberalization and a strong formal institutional framework: the Constitutional Court, a competitive party system and continuous changes of government in elections.

The first time Viktor Orbán and his party Fidesz came to power was in 1998. His program was summed up in the campaign slogan "more than change of government, less than change of regimes," and in the expression "all-out attack."[88] The slogan fairly describes what actually happened: a model change from liberal democracy to patronal democracy. Yet this was not simple backsliding but part of a strong autocratic attempt, breaking the autonomy of formal institutions and building an informal patronal network in the economy with inner-circle oligarch Lajos Simicska (who was also made head of the tax office in 1998–1999). Indeed, Orbán would have succeeded had he had a two-thirds majority, that is, an effective monopoly of political power.[89] Thus, the democratic institutional system was eroded, but it was nevertheless upheld—more or less—by the country's constitution and so-called "basic laws" that require supermajority.

[84] Kovács, "The Forced Collectivization of Agriculture in Hungary, 1948–1961." For the sake of simplicity and because our purpose is only illustration, not historical documentation, we do not depict the Revolution of 1956 in the triangle as a new stable point.

[85] Kornai, "Paying the Bill for Goulash Communism."

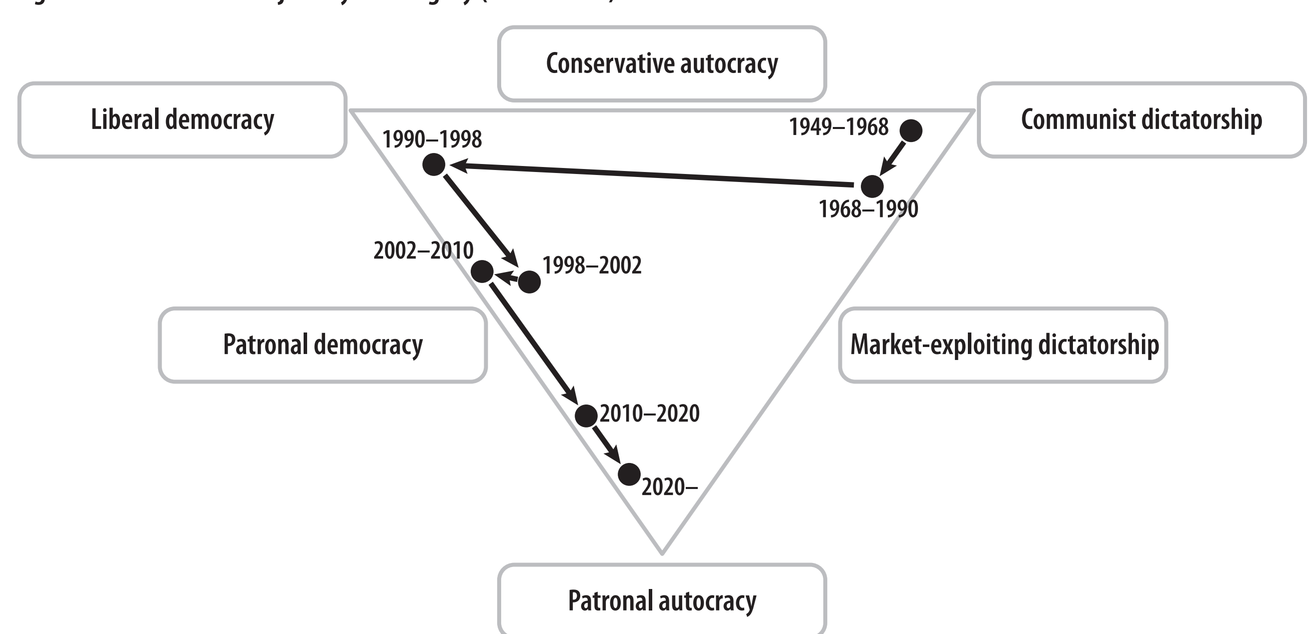
[86] Vámos, "A Hungarian Model for China?"; Csanádi, "The 'Chinese Style Reforms' and the Hungarian 'Goulash Communism.'"

[87] Bozóki, "Hungary's Road to Systemic Change."

[88] Quoted by Sárközy, *Illiberális kormányzás a liberális Európai Unióban* [Illiberal governance in the liberal European Union], 62–65.

[89] Magyar, "Magyar Polip – a szervezett felvilág" [Hungarian octopus—The organized upperworld].

Figure 7.19. Modelled trajectory of Hungary (1949–2020).



Orbán was defeated in 2002 by the socialist-liberal coalition, which however did not lead back to liberal democracy. Let us go into some details here, because the functioning of Hungarian democracy in 2002–2010 illustrates an **unequal patronal competition** that lacked the dynamic equilibrium [→ 4.4.2.1] and broke down, degenerating into patronal autocracy. First of all, Fidesz retained informal dominance in the Prosecutor's Office, State Audit Office and the Constitutional Court, whereas President László Sólyom—who had weak formal powers—was also closer to the Fidesz on an ideological basis than to the governing coalition. **Populism became widespread in this period**, too, resulting in a so-called "cold civil war:" both sides declared the other illegitimate (especially Fidesz did the governing MSZP, Hungarian Socialist Party), while any misstep of "one of us" was indulged in view of the threat of "one of them" coming to power (especially the MSZP feared Orbán).[90] On the other hand, Orbán's adopted political family collaborated with the rival government forces, evoking a friendly sense of "trench-truce." This has been widely recognized in the public by the term **"70/30," which meant that the illegitimate resources acquired (or simply acknowledged) in common would be divided with 70% going to the governing party and 30, to the opposition**.[91] The actors on the government side, however, were less disciplined and driven by uniform motives. Firstly, fields that promised revenues from corruption were assailed by "treasurers" of the party out on their own initiatives and local oligarchs (minigarchs), and secondly, others made repeated efforts to break the established ties of corruption collaboration of the two rival parties. In contrast, Orbán's political family relied on a single-channel order of accountability in the economy, penalizing private foragers cashing in under the Fidesz banner to ensure the unity of "taxation" on centrally sanctioned corruption income across all levels of the established order of patron-client re-

[90] Pappas, "Populist Democracies: Post-Authoritarian Greece and Post-Communist Hungary."

[91] Mong, *Milliárdok mágusai*.

lations. This manner of illegitimate taxation established expensive, but reliable conditions in corruption transactions: if someone paid the price, the service was delivered (unlike in the case of the MSZP government).

Until 2010 neither access to sources, nor means of sanctioning could be wholly monopolized by either political side. The parliamentary majority was normally surrounded by a colorful composition of parties in local government, and within the system, a number of joint, or at least multi-party committees had a say in the distribution of resources under state control. However, the second socialist-liberal government suffered decisive blows after 2006, the year of prime minister Ferenc Gyurcsány's tape scandal, and 2008, the year of losing a referendum and of the global financial crisis. Under such circumstances, Fidesz set out to secure a two-thirds supermajority in parliament already in campaign gear. With the help of the Prosecutor's Office, they succeeded in depositing the full weight of corruption cases at the doorstep of the government forces so far as public opinion was concerned.

In 2010, Orbán and Fidesz won a parliamentary supermajority, breaking the—in case of Hungary, already vulnerable—equilibrium of patronal democracy. Gaining enough power to change the constitution one-sidedly and pack the institutions of checks and balances with his own clients, Orbán **achieved an autocratic breakthrough** and approached patronal autocracy. Hungary has become **a paradigmatic case of the mafia state**.[92]. The regime change means both qualitative and quantitative change, as the single-pyramid patronal network Orbán established broke the autonomy of state institutions which are used to accumulate more corrupt wealth than any or both patronal networks could before 2010.

Since 2010, Orbán has managed to get a supermajority twice more in manipulated elections (2014, 2018). In 2020, the coronavirus pandemic amplified the most essential features of the Hungarian mafia state. Invoking a state of emergency, Orbán had an enabling act passed [→ 4.3.4.2] which allows him to rule by decree without a time limit. This change of form of unconstrained rule has been accompanied by measures that further autocratic consolidation beyond what would normally be possible within the EU: curtailing party funding, taking certain tax revenues from municipalities, criminalizing those who publicize fake or "genuine facts distorted in a way that can hamper successful protection," sending soldiers to "vital" companies to take control in case of emergency etc. In addition to power concentration, wealth accumulation has also been accelerated by the pandemic. Beyond the still ongoing rent distribution from the budget, the economic crisis creates a vast number of weakened prey for the predatory state, which has also enacted measures to facilitate takeover by the adopted political family (offering bailout in exchange for shares, helping only discretionally selected companies "of national importance" etc.).

7.3.3.5. Backsliding to patronal autocracy from oligarchic anarchy: Russia

Russia represents the case of **democratic backsliding to patronal autocracy from oligarchic anarchy** (Figure 7.20). It may be objected that oligarchic anarchy does not appear in our triangle, which indeed does not account for the feature of state strength or failure.[93] However, as we noted in Chapter 2, oligarchic anarchy is fairly similar to patronal democ-

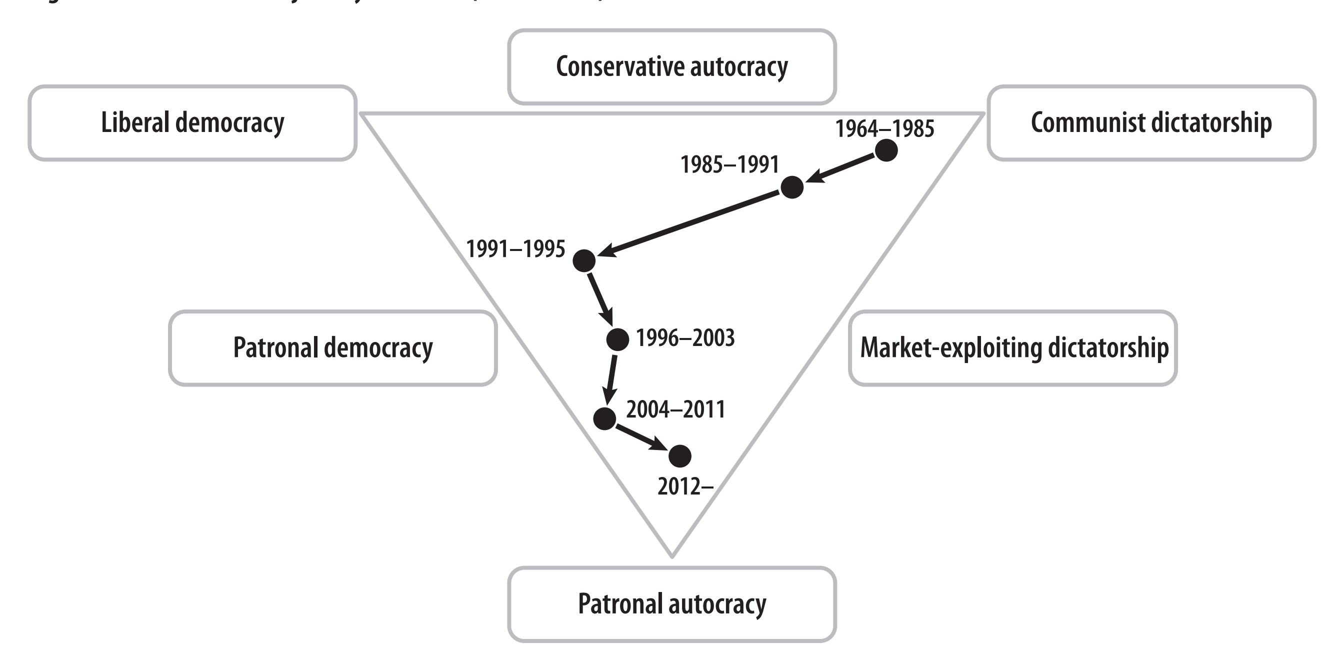
[92] For a comprehensive discussion, see Magyar, *Post-Communist Mafia State*.

[93] We come back to this omission in the section entitled "Towards a Global Perspective" [→ *Conclusion*].

racy because of its multi-pyramid system of competing patronal networks [→ 2.5.1], as well as a limited ruling elite holding unfair elections on the verge of electoral democracy and competitive authoritarianism.

Pomerantsev sums up Russia's regime trajectory quite neatly, writing that the country "experimented with different models at a dizzying rate: Soviet stagnation led to perestroika, which led to the collapse of the Soviet Union, liberal euphoria, economic disaster, oligarchy, and the mafia state."[94] From these, the period of economic disaster and "oligarchy" marks what we call oligarchic anarchy, which Russia became in the 1990s. This setting featured a practically failed state, surrounded and partially appropriated by a disorganized, multi-pyramid setting of regional and nationwide-oligarchic networks.[95] However, "[while] the moving parts of Russian politics […] initially gyrated rather widely," Hale writes, "**the key moment in Russian post-Soviet political history occurred in 1996.** It was then when [president Boris] Yeltsin […] deployed his arsenal of sticks and opened his cornucopia of carrots to mobilize regional political machines and major financial-industrial groups into a nationwide pyramid of patronal networks capable of defeating a major political opponent in the presidential race of that year. […] The 1996 contest **proved to all that Yeltsin's presidential pyramid was superior**" (emphasis added).[96]

Figure 7.20. Modelled trajectory of Russia (1964–2019).



In the triangle, Yeltsin becoming a chief patron is represented by a clear step toward patronal autocracy and the dominance section of competitive authoritarianism, but not enough to cross the dominance boundaries of semi-formal institutions and relational-market coordination. Yeltsin lacked the monopoly of political power as well as a strong state, which is a prerequisite for a successful mafia state to function [→ 2.5.2]. Moreover, he still

94 Pomerantsev, *Nothing Is True and Everything Is Possible*, 71.

95 Hale, *Patronal Politics*, 110–15; Hoffman, *The Oligarchs*.

96 Hale, *Patronal Politics*, 135.

ruled in the shadow of oligarchs, particularly Vladimir Gusinsky and Boris Berezovsky who owned substantial media empires, and Mikhail Khodorkovsky, who was the country's richest man and controlled much of Russia's natural resources as CEO of oil company Yukos. Vladimir Putin, who was named by Yeltsin as his successor in 1999, reformed the state so it regained strength, and also consolidated his power in the sphere of political action with a landslide victory of his United Russia party.[97] This 2003 victory enabled him to perform what Ben Judah describes as "the great turn." As he writes, it "closed the era where he ruled like Yeltsin's heir. It was the moment when Russia lurched decisively into an authoritarian regime."[98] Reportedly, Putin gathered a meeting with 21 oligarchs, informing them that they would be loyal to him and not interfere in politics on their own.[99] He also demonstrated what disobedience would mean: Gusinsky and Berezovksy were forced into exile, giving up their media empires to Putin's patronal network, whereas Khodorkovsky was jailed and his companies were taken over.[100] From this year on, Russia has been a paradigmatic case of patronal autocracy, with Putin ruling a single-pyramid patronal network with a firm hand. This notably manifested in 2008, when he faced a two-term limit but managed to avoid lame-duck syndrome, making his political front man Dmitriy Medvedev president and returning to power in 2012.[101] **After an unsuccessful attempt at a color revolution in 2012, the regime became more oppressive** in its state of autocratic consolidation, breaking civil society and neutralizing the autonomy of media, of entrepreneurs, of NGOs, and of the citizens [→ 4.4.3].[102]



7.3.4. Regime Cycles and the Duality of Personal and Impersonal Institutional Change (Ukraine, North Macedonia, Moldova, and Georgia)

7.3.4.1. Anti-patronal transformation, regime cycles, and color revolutions

Coming from an environment where the spheres of social action have separated, becoming deeply rooted in behavioral and cognitive patterns, **Western observers tend to keep their focus on the impersonal institutional framework** when it comes to regime changes. This is not to say they do not see personal relations or actors at all. Rather, they often interpret

[97] Hale, *Patronal Politics*, 270–74.

[98] Judah, *Fragile Empire*, 55.

[99] Judah, *Fragile Empire*, 43.

[100] Sakwa, "Putin and the Oligarchs." Browder also describes the chilling effect the Khodorkovsky case had on other oligarchs, who reportedly had to give a significant portion of their property to Putin's *de facto* ownership (post-communist ownership redistribution [→ 5.5.1]). In addition, Browder's own crusade against Russian oligarchs was supported and used by Putin, but only until the latter could subjugate the oligarchs, "[consolidate] his power, and, by many estimates, become the richest man in the world." Browder, *Red Notice*, 157–163.

[101] Hale, *Patronal Politics*, 276–91.

[102] Yavlinsky, *The Putin System*, 66–80.

them through the lens of impersonal institutions: actors are recognized by their formal titles and competences, granted to them by the institutional framework, whereas the effects of personal strong-tie networks are seen as deviances, "bribery," "nepotism" etc. [→ *Introduction*]. The political regime's fundamental character is established by the impersonal institutional framework, whereas its changes are recognized only to the extent they affect these institutions.

Such a **single-level approach is satisfactory if the spheres of social action are separated** [→ 1.2]. For then the strength of strong ties is scaled back, confined to their separate sphere of social action, and thus it is impersonal institutions that can determine a regime's workings without being overruled by personal networks. However, **the less the spheres of social action are separated, the less impersonal institutions and the more personal relations define a regime's character**. While changes of regimes with separated spheres can be adequately described by a single-level approach, given the dominance of impersonal institutions, regimes with less separation require—as we argued in Chapter 1—a **dual-level approach** with a double focus on impersonal institutions and personal strong-tie networks. The dual-level approach does not treat personal networks and their effects as deviances from the regimes' fundamental (impersonal) functioning: they are seen as constitutive elements and integral parts of the regime.

When it comes to analyzing sequences, we may distinguish 2–2 processes for each level:

- **on the level of impersonal institutions**, there can be **(a) democratic transformation**, which means the establishment of formal, *de jure* guarantees of separation of branches of power, public deliberation and various societal autonomies (private property etc.) [→ 4.3–4], or its opposite, **(b) anti-democratic transformation**, which is the restriction of rights and competences belonging to the aforementioned elements;

- **on the level of personal networks**, there can be **(a) patronal transformation**, which involves the political, economic and/or societal patronalization of people in the given polity, or its opposite, **(b) anti-patronal transformation**, which involves the dissolution of the strong ties of patronalism and patron-client networks in favor of an impersonal setting of horizontal relationships.[103]

In cases of pattern changes, we may also distinguish between (1) **single-level transformation**, where only one process takes place (on one level) without a second process on another level, and (2) **dual-level transformation**, when 1–1 process from both levels happen together. Democratic (or anti-democratic) transformation is not the same as democratic (or autocratic) breakthrough, although they often go hand in hand like when the Orange Revolution was followed by democratic constitutional change (or when Orbán manipulated the electoral law after his autocratic breakthrough). On the other hand, "patronal transformation" entails political, economic, and societal patronalization [→ 5.6.1.3], and "anti-patronal transformation," the elimination or reversal of those processes.

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103 We borrow "anti-patronal transformation" from Hale, who uses it in an article but does not analyze it more closely. Hale, "Russian Patronal Politics Beyond Putin."

Applying these concepts and the dual-level approach in general is particularly beneficial in the analysis of **the trajectory of democratizing countries**.[104] Indeed, what was not seen in the euphoria of "end of history" was precisely that, in cases of "failed democratization," single-level transformations took place, particularly **democratic transformations without anti-patronal transformation**. Impersonal institutions were changed in both the political sphere (formally democratic institutions and multi-party elections) and the sphere of economy (privatization and the dominance of *de jure* private property), but **patronalism proved to be a stubborn structure** that lived on in the post-communist era [→ 1.5]. In other words, the institutional framework was changed but the actors who populated it did not. Dual-level transformations only took place in countries like Estonia or Hungary, which carried fewer patronal legacies and arrived by their primary trajectory to liberal democracy.

Secondary trajectories also often turn out to be single-level transformations. Indeed, this was the case in the four countries we used for illustration: in the Czech Republic, an attempt for a patronal transformation has occurred without anti-democratic transformation; in Poland, we can observe an attempt for an anti-democratic transformation without patronal transformation. Hungary's secondary trajectory is composed of two single-level transformations (carried out by the same actor), a patronal transformation from 1998 and an anti-democratic transformation from 2010, while Russia shows an anti-democratic transformation without a patronal transformation (for it already started from a patronal environment).

Finally, **single-level transformation was the typical pattern of successful color revolutions**, too. As we mentioned in Chapter 4, color revolutions broke out in contested patronal democracies under the banner of democracy and pluralism—but they were backed by informal patronal networks, who fought the monopolization attempt of the leading patronal network [→ 4.4.2.3]. This means precisely that, **after an anti-democratic transformation of a patronal environment, a democratic transformation took place without anti-patronal transformation**. This phenomenon is captured by Hale in the more general term "regime cycle:"[105]

- **Regime cycle** is a regime trajectory involving (1) a movement toward autocracy and (2) the reversal of that movement. Typically, regime cycles involve single-level transformations of impersonal institutions (without anti-patronal transformation when the autocratic change is reversed).

Although democracy can be and has been restored in many cases after fighting off autocratic tendencies, democratic transformation is not accompanied by anti-patronal transformation. As Hale observes, **after apparent democratizations "there is a strong tendency for a new single-pyramid structure** that is just as 'authoritarian' as the old one to arise.

[104] The trajectories of countries with dictatorship transformation or reform are omitted from this discussion. A precise analysis of those would require a more overarching framework (separating changes in terms of formality-informality, multi- and single-pyramid arrangement, as well as the three spheres of social action), which would negate the heuristic and analytical value of dual-level approach for democratizing countries.

[105] Hale, *Patronal Politics*, 87–88.

This is because a simple change in leadership does not remove the key elements that created the single-pyramid system in the first place: **society remains patronalistic**, and the constitution remains presidentialist" (emphasis added).[106]

Table 7.5 sums up the processes of regime dynamics, showing what type of transformation each pattern change between liberal and patronal regime types entails. For illustration, we again chose four countries, each of which arrived at patronal democracy and later engaged in regime cycles. We can find a variety of cyclical movement in the region, with different reasons and events leading to the breakup of unconsolidated—indeed, sometimes ephemeral—patronal autocracies [→ 4.4.1.3]. We illustrate the "orthodox" form of regime cycles on the case of Ukraine, with numerous swings between patronal democracy and autocracy via color revolutions. Then, we turn to cases that are more irregular: the autocratic breakthrough in Macedonia did not feature a revolution but broke down because of intra-elite conflict; in Moldova, foreign intervention played a decisive role. Finally, the case of Georgia is unique because, after the Rose Revolution in 2003, the new leadership attempted to break out of the regime cycle with an anti-patronal transformation, albeit without a democratic one and was eventually unable to break out of the patronal system of informal actors.

Table 7.5. Processes of regime dynamics and cycles.

To / From	Liberal democracy	Patronal democracy	Patronal autocracy
Liberal democracy		patronal transformation (without anti-democratic transformation)	anti-democratic + patronal transformation
Patronal democracy	anti-patronal transformation		anti-democratic transformation
Patronal autocracy	democratic + anti-patronal transformation	democratic transformation (without anti-patronal transformation)	

7.3.4.2. Regime cycles with color revolutions: Ukraine

In the previous chapters, **Ukraine** was cited as a prime example of competing post-communist clans [→ 3.3.7, 3.6.2.1] and we also expounded on its color revolutions [→ 4.4.2.3]. Now we may take a look at Ukraine's complete regime trajectory, starting from its period under Soviet rule (Figure 7.21). **Already before the regime change**, Ukraine showed elements of clan politics within the state party. According to Minakov, **three regional groups from Kharkov, Stalino/Donetsk and Dnepropetrovsk represented the three largest party units and industrial clusters**, providing factional competition and alternately occupying the position of First Secretary of Central Committee of Ukrainian Communist Party and Chairperson of the Council of Ministers.[107] **A multi-pyramid system of competing**

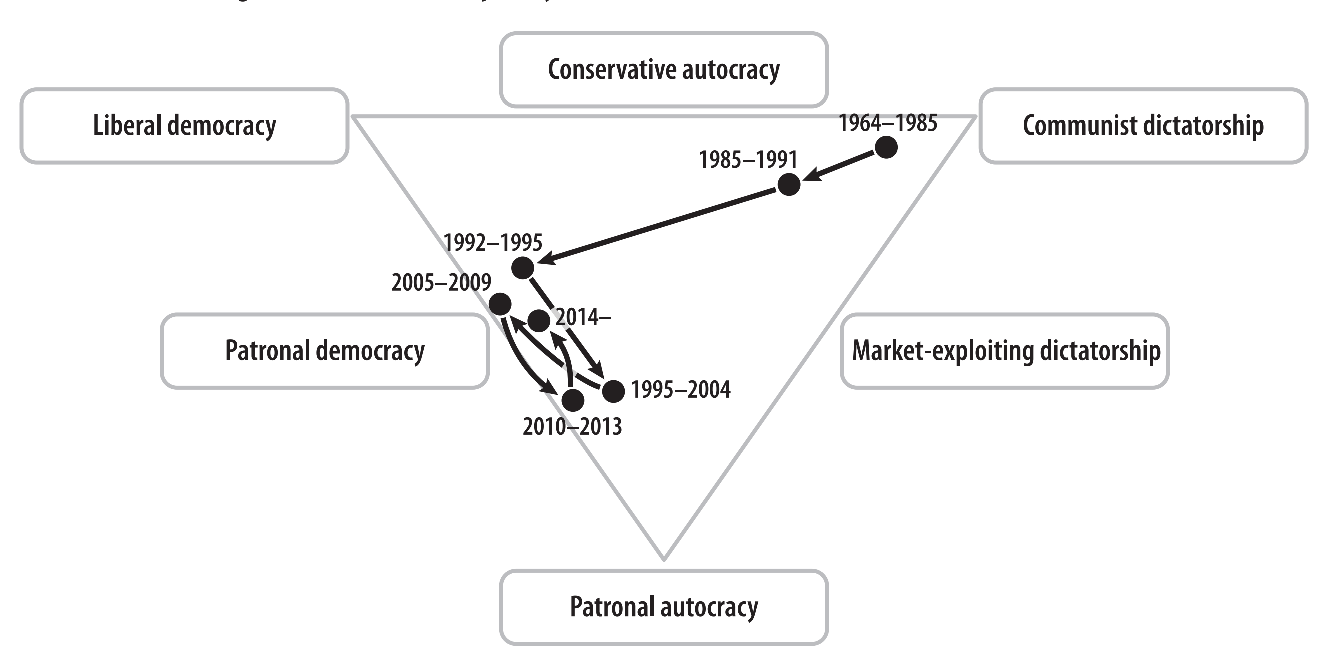
[106] Hale, *Patronal Politics*, 87.

[107] Minakov, "Republic of Clans," 220–28.

patronal networks grew out of these roots after 1991, with post-communist clans like the Kuchma-Pinchuk clan, the Lazarenko clan, and the Privat Group.[108]

The first attempt at building a single-pyramid power network happened in the first presidential term of Leonid Kuchma, who "consolidated his power by making the political system into a fully presidential one, by essentially coercing the parliament into agreeing to his constitutional 'reform' in 1996 […]. At the same time, in the second half of the 1990s he formed a pact with emerging oligarchs that allowed him to concentrate economic power as well as media control […]. He essentially established an alliance in which the oligarchs supported his political ambitions to continue to dominate Ukrainian politics, while he provided a 'krisha' […] for them to illegally profit from the country."[109] The single-pyramid network he built proved successful in ensuring his re-election in 1999, despite the continually weak economic situation.[110]

Figure 7.21. Modelled trajectory of Ukraine (1964–2019).



Kuchma's pattern change to patronal autocracy was reversed by the Orange Revolution in 2004, leading the country back to patronal democracy via democratic but no anti- patronal transformation [→ 4.4.2.3].[111] However, this was not the only regime cycle Ukraine saw. The period of **2005–2009** under president Viktor Yushchenko was characterized by the **dynamic equilibrium of patronal competition**, ensured by the new divided-executive constitution approved after the revolution.[112] However, after he was replaced, Viktor

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108 Minakov, "Republic of Clans," 228–34.

109 Mizsei, "The New East European Patronal States and the Rule-of-Law," 537.

110 Hale, *Patronal Politics*, 148; Bunce and Wolchik, *Defeating Authoritarian Leaders in Postcommunist Countries*, 115–22.

111 Hale, *Patronal Politics*, 182–90.

112 Hale, *Patronal Politics*, 325–31.

Yanukovych one-sidedly changed back the constitution to the initial presidential arrangement and made a strong attempt at creating a single-pyramid. As part of an anti-democratic transformation, **Yanukovych carried out autocratic breakthrough** and managed to neutralize some of his opponents, as discussed in Chapter 4 [→ 4.4.2.3].

Yet **civil society in Ukraine remained remarkably strong, with deeply embedded patronal networks making an autocratic consolidation impossible**. This was the crucial factor that allowed for the **Euromaidan Revolution in 2014**, removing Yanukovych and later holding probably the fairest elections in the country's history.[113] Yet, unsurprisingly, **the presidency of Petro Poroshenko brought only a single-level transformation**, as democratic transformation was not accompanied by anti-patronal transformation. Indeed, as we discussed in Chapter 4, it was the aforementioned clans that resisted the subjugation attempt and supported the revolution, only to return to the intense patronal competition that has characterized post-communist Ukraine since independence.[114] As Mizsei writes, "the Poroshenko presidency, without the ugly excesses of the Yanukovych regime, has returned to its default position: it works to advance the business interests and power of the president and his team, and it has strived to nominate people to positions in state enterprises according to the financial interests of the president and his entourage. Poroshenko delayed legislation and constitutional changes establishing the rule-of-law, and fought strongly against the independence of the prosecution service and for […] prosecutor generals […] who were not by any standards reformist, and refused to fight crime in an uninhibited manner."[115]

In April 2019, **Poroshenko lost the presidency to Volodymyr Zelensky, who is no chief patron and has no patronal pyramid** but only oligarchic backing from Ihor Kolomoyskyi, the leading partner of the Privat Group.[116] Apparently, Zelensky has an interest in anti-patronal transformation and breaking the power of oligarchs in the country, risking a conflict with Kolomoyskyi. But, **as of late 2019, he has yet to achieve a regime-level change** in Ukraine, and his government may eventually split up along oligarchic and/or ideological lines.[117]

7.3.4.3. Regime cycle with intra-elite conflict: North Macedonia[118]

North Macedonia is a highly patronalistic country where regime-specific features (divided executive power) and country-specific features (ethnic cleavages) together ensured **competition of patronal networks for more than a decade after the regime change**.[119]

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[113] "Despite Violence and Threats in East, Ukraine Election Characterized by High Turnout and Resolve to Guarantee Fundamental Freedoms, International Observers Say."

[114] Konończuk, "Oligarchs after the Maidan."

[115] Mizsei, "The New East European Patronal States and the Rule-of-Law," 584. Mizsei also discusses the initial invitation of reformists (including Georgian ones) and the later blocking of their reform attempts in detail (pp. 583–599).

[116] Kramer, "Oligarch's Return Raises Alarm in Ukraine."

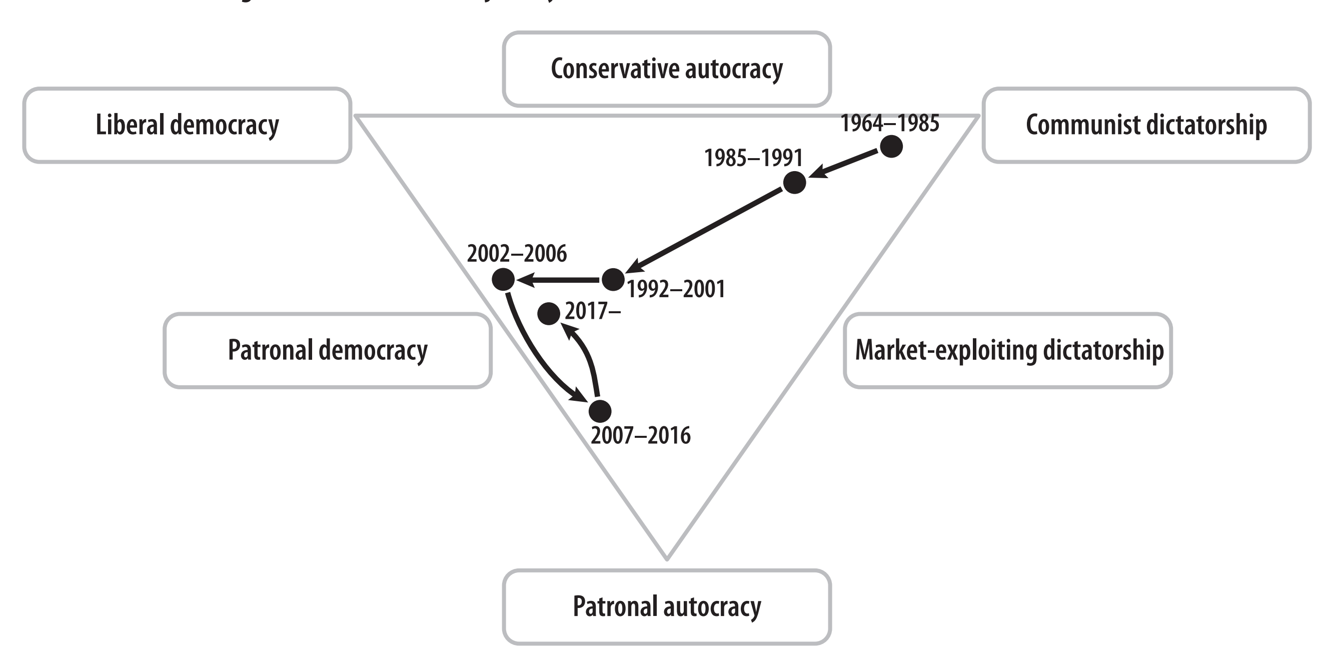
[117] Dubrovskiy, "Ukraine after 2019 Elections."

[118] The country was officially renamed North Macedonia in 2019, while earlier its official name had been Former Yugoslav Republic of Macedonia.

[119] Hale, *Patronal Politics*, 641.

As William Crowther notes, North Macedonia declared independence in 1991 and was "confronted with serious economic development issues and ethnic divisions, [yet] democratic politics functioned moderately well. Structured completion and alteration in power occurred. Progress was visible in the development of civil society organizations, freedom of expression, and an independent media. [However,] reform lagged [in the economy], separation between the public and private economic activities was weak, and by all accounts clientelism and inappropriate privatization of state property were widespread. Complaints regarding voting irregularities arose recurrently. Despite these flaws, regular competition between rival elites occurred within the context of informally accepted parameters of behavior."[120] These features put North Macedonia in the competitive authoritarian dominance section,[121] yet relatively close to patronal democracy because of prevailing informal patronalism among semi-formal institutions (Figure 7.22).

Figure 7.22. Modelled trajectory of North Macedonia (1964–2019).



Besides **the former communists**, who appeared in the new multi-party system as the Social Democratic Party of Macedonia (SDSM), the two most important patronal networks were linked to **ethnic Macedonians** and **ethnic Albanians**. Both ethnic groups have tended to support separate ethnic parties, eventually 1–1 party achieving hegemonic position in their respective groups: Internal Macedonian Revolutionary Organization—Democratic Party for Macedonian National Unity (VMRO-DPME) and Democratic Union for Integration (DUI) for the Albanian population.[122] These parties and their nomenklatura- and ethnicity-based clans rotated in government; and until no group was strong enough to assume a dominant position, democratic pluralism in the polity prevailed. Moreover, **a period of**

[120] Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 743–44.

[121] Levitsky and Way, *Competitive Authoritarianism*, 124–28.

[122] Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 749.

stronger power-sharing and electoral democracy followed a brief period of civil war in 2001. The ethnic conflict was concluded by the Ohrid Framework Agreement (OFA), which ensured more power to the Albanian minority, devolution of decision-making authority to local governments, and a proportionate electoral system, among other things.[123] Hale also notes the importance of Western leverage in diminishing the intensity of fighting between patronal networks in North Macedonia.[124]

Patronal competition was broken by a clan pact [→ 7.4.1], that is, **a ruling coalition between the North Macedonian and Albanian patronal networks after the 2006 elections**. According to Crowther, this transformed the party system "from a situation of real, if limited, competition to one of hegemonic party rule,"[125] which critics described as "authoritarian consociationalism" and a "partocracy."[126] Indeed, this clan pact allowed the creation of a single-pyramid patronal network under head of executive **Nikola Gruevski**, whereby the two patronal networks could together carry out an **anti-democratic transformation**. In Crowther's study, we can discover signs of:[127]

- **turning both parties into transmission belts** ("central party leaders monopolize policy making and decisions regarding advancement") and the legislature as well ("a compliant observer that mechanically translates decisions by Gruevski's inner circle into law");
- **system-constituting corruption** ("systemic corruption" and "a network of personal relationships around Prime Minister Gruevski that are conducive to abuse of power for individual gain");[128]
- **ideology-applying populism** (characterizing "those Macedonians who reject Gruevski's program and adhere to the SDSM as traitors to the nation" and "NGOs critical of the government […] as the pawns of foreign powers");
- **informal control of state institutions** ("Politically motivated prosecutions […] directed against both opposition politicians and critical media," "NGOs engaged in democracy promotion and human rights advocacy were targeted for official and unofficial harassment," "the use of state resources for partisan advantage, and the sort of strategic manipulation of elections");
- **unconstrained power** (the networks' "ability to mobilize state resources and the national media made each nearly unassailable within their respective communities," "party leaders concentrated power in the executive, eroding checks and balances and reducing the ability of other branches of government or civil society to hold the ruling parties' leaders accountable").

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123 Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 745.

124 Hale, *Patronal Politics*, 641.

125 Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 751.

126 Spaskovska, "From Feudal Socialism to Feudal Democracy."

127 Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 751–54.

128 See also Günay and Dzihic,"Decoding the Authoritarian Code."

The unusual formation of the Macedonian single-pyramid patronal network also engendered its vulnerability. Gruevski did not have singular control over the single-pyramid network, which remained internally fragmented between the two ethnic clans. Unable to overcome this cleavage, which had also been nourished by the two clans' divided voting bases, Gruevski had to face the **DUI leaving the coalition in 2016**, after the so-called wire-tapping scandal made him unacceptable.[129] Eventually, **the country returned to patronal democracy** and Gruevski was forced to resign. And he was later sentenced to two years in prison for corruption—yet he avoided punishment by fleeing the country with the help of Hungarian authorities, which granted him political asylum in 2018.[130]

7.3.4.4. Regime cycles with foreign interference: Moldova

While the regime trajectory of **Moldova** shares similarities with other countries with regime cycles, its concrete story is filled with country-specific idiosyncrasies, pointing out how much variation certain regime types can produce on the level of personal networks. A post-Soviet country landlocked between Romania and Ukraine, Moldova **declared independence in 1991, and it was not until 2001 that it faced a somewhat successful attempt at building a single-pyramid network**. Hale points out that, while the country had a strong patronal legacy and even a seemingly dominant agrarian/former-communist network, no single-pyramid was built in the first decade after transition. The first Moldovan president, Mircea Snegur (1990–1997) apparently lacked the ambition to create a dominant, subordinative patron-client network,[131] whereas the second president, Petru Lucinschi (1997–2001) "appears to have had much greater will and skill when it came to patronal politics […] but the formal institutional changes [particularly the 1994, weak-presidential constitution] enabled parliament ultimately to undermine his attempts to create either a single-pyramid system or a more strongly presidentialist constitution."[132] Thus, the country remained a patronal democracy, with even the more-or-less dominant network facing internal fragmentation and the lack of a clearly dominant top patron (Figure 7.23).

In 2001, Vladimir Voronin became president and his vassals' party, the Party of Communists of the Republic of Moldova (PCRM) **gained a constitutional majority in parliamentary elections**. As Mizsei reports, "Voronin's strong mandate meant **he could easily begin to build a single-pyramid system**, in spite of the constitutional obstacles to a strong presidency […]. First and foremost—somewhat like Putin in Russia—he **clipped the wings of the early oligarchs** in order to prevent them from limiting his power. […] Voronin **developed his own oligarchic clans**. From today's perspective, the most skillful of them was Vlad Plahotniuc. However, in the early 2000s, he was not nearly the strongest player around Voronin; in fact, he only worked his way into the president's entourage around 2003. He gained his influence due to a business relationship with Voronin's son

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[129] Crowther, "Ethnic Condominium and Illiberalism in Macedonia," 754–56.

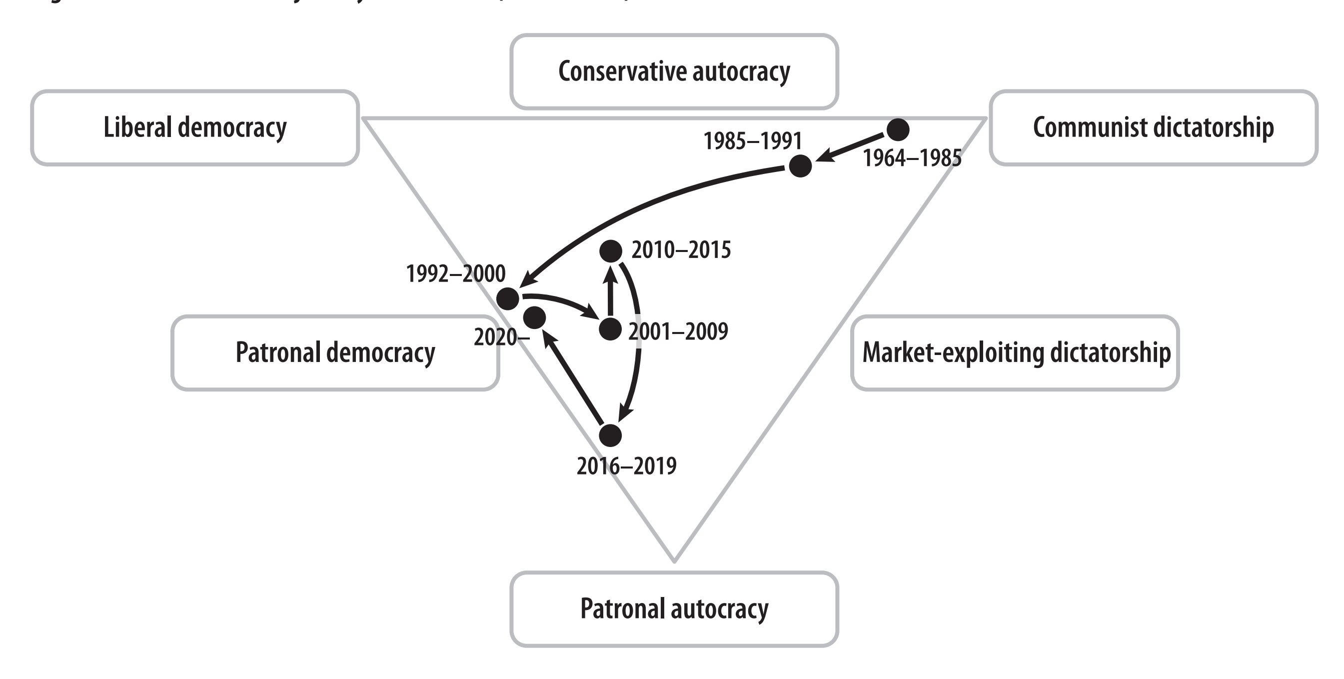
[130] Walker, "Anti-Asylum Orbán Makes Exception for a Friend in Need"; Balogh, "Further Thoughts on the Gruevski Affair."

[131] Hale, *Patronal Politics*, 168–69.

[132] Hale, *Patronal Politics*, 170.

that over time proved the strongest mechanism to secure monopolistic access to business assets" (emphasis added).[133] While Plahotniuc would later become an important figure as chief patron, **Voronin's autocratic breakthrough was reversed by electoral means** in 2009. **This was possible mainly because of strong Western linkage and leverage**, with the EU representing the opposition and preventing—to mention only one example—the shutdown of the main television channel sympathetic to the opposition immediately before the elections.[134] As a result of foreign interference, the country could conclude its first regime cycle and return to the competitive regime of patronal democracy.


Figure 7.23. Modelled trajectory of Moldova (1964–2020).



Already in this period, **Plahotniuc** initiated his plan that eventually led him to the position of chief patron. However, his origin and method of achieving the role of chief patron are unique in the post-communist region. First, Plahotniuc comes from neither the old nomenklatura, nor a specific ethnic group, nor the sphere of economy. Rather, he **originates from the organized underworld**: he had been a crime boss before he entered the political sphere, linked to numerous illicit activities like money-laundering, racketeering, and human trafficking.[135] He became an oligarch under Voronin by seizing control over a number of factories, airports, hotels, as well as railway, communication, media and natural-resource companies in Moldova, among other businesses.[136] Second, while "chief patron" is a fundamentally informal title, those who want to achieve it typically become head of executive, a formal title that fits the most in its competences to the role of chief patron

[133] Mizsei, "The New East European Patronal States and the Rule-of-Law," 541–42.

[134] Mizsei, "The New East European Patronal States and the Rule-of-Law," 566.

[135] Miller, *Moldova under Vladimir Plahotniuc*.

[136] Miller, *Moldova under Vladimir Plahotniuc,* 44.

and also signals his leading role to elite groups.[137] Yet **Plahotniuc became chief patron without becoming head of executive**, or holding any major function in the state for that matter. Indeed, there was a moment when he was nominated prime minister, but he never reached a position higher than First Deputy Speaker of the Parliament. Yet, uniquely in the countries discussed, he assembled a single-pyramid patronal network with the informal means of **kompromat and state capture** for a considerable period of time: he systematically extorted and/or "bought up" political actors important to achieving his goals. Using these techniques, **he managed to patronalize** as a poligarch a large number of autonomous actors, most importantly **(1) the Democratic Party of Moldova**, which entered the ruling coalition of prime minister Vladimir Filat after the 2009 elections, **(2) the Constitutional Court**, and **(3) the chief prosecutor**.[138] He used these instruments to neutralize his rivals, especially Filat, who too had oligarchic goals and fought numerous fights with Plahotniuc but was eventually led out of parliament in handcuffs by the prosecutor on money laundering charges in 2015.

In the period between 2016–2019, Moldova was a patronal autocracy, informally headed by Plahotniuc "from the backseat." On the one hand, he achieved power monopolization, albeit not by formally gaining a constitutional majority but by becoming the informal patron of key people who operated checks and balances. Bankrolling members of government and parliament from his own private wealth, Plahotniuc achieved one-sided changes in the electoral system, too, changing the proportionate system into a mixed one before the 2019 elections. Plahotniuc extended his control to prosecutors, judges and the Central Electoral Commission, as well as the National Investigation Inspectorate and the National Anticorruption Center, which were used to collect kompromat.[139] On the other hand, Plahotniuc excelled in personal-wealth accumulation as well. A systemic analysis of Plahotniuc's network is offered by Sarah Chayes, who has been involved in a project at Carnegie Endowment for International Peace to map out the structure of kleptocratic states around the world. She enumerates the elements of Plahotniuc's network as follows: (1) government elements, including Ministry of Economy that used "customs and tax audits to discipline, handicap, or punish competing businesses;" (2) private sector elements, including banks, construction contractors, media, tourism, real estate and public utility intermediaries; (3) criminal elements, including smuggling and offering money-laundering services to Russian networks; and (4) active facilitators, including numerous shell companies and economic front men.[140] Several reports describe him using power over the state, judiciary and prosecution to carry out grey and white raiding as well [→ 5.5.3.1],[141] adding predation to the portfolio of a state that had already become criminal, clan, and neopatrimonial under him. In short, Plahotniuc successfully instituted a mafia state.

Yet **in 2019**, Plahotniuc did not manage to get an absolute majority in the elections, while the two major opposition parties had enough seats together to achieve a constitu-

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137 Hale, *Patronal Politics*, 76–82.

138 Miller, *Moldova under Vladimir Plahotniuc*, 52–61; Mizsei, "The New East European Patronal States and the Rule-of-Law," 566–76.

139 Chayes, "The Structure of Corruption."

140 Figures C.2–5 in Chayes.

141 Miller, *Moldova under Vladimir Plahotniuc*, 97–124.

tional majority and remove Plahotniuc's people from key state positions. They eventually agreed to form a coalition against Plahotniuc, supported even by Plahotniuc-protégé President Igor Dodon, but the Constitutional Court ruled the coalition illegal and Dodon was removed. At this point, **Plahotniuc's mafia state seemed immune to internal attacks—but it was apparently unable to overcome the country's vulnerability to foreign intervention**. U.S., European and Russian interests coincided in this dramatic moment for very different reasons.[142] Plahotniuc was eased out and an unlikely coalition of geopolitical and governance adversaries, Maia Sandu's ACUM bloc and President Dodon's socialists took over. It turned out to be temporary and, in November 2019, the coalition indeed broke. President Dodon crafted a minority government, supported from outside by the remnants of Plahotniuc's Democratic Party. It is unclear how much control the now fugitive Plahotniuc still wields over his party. However, Maia Sandu's democratic breakthrough that had aimed exactly and explicitly to overcome the mafia state has, at least temporarily, finished. It is unclear how far the more patronal Dodon will be able to rebuild the patronal pyramid in an international environment where the Europeans and the U.S. actively oppose regime restoration and civil society gained valuable systemic experience during Plahotniuc's reigning. At the moment of submitting the manuscript, Moldova is genuinely at crossroads and once again elections will have importance in determining regime evolution: at the 2020 elections Maia Sandu and incumbent Igor Dodon will represent two distinct regime alternatives.

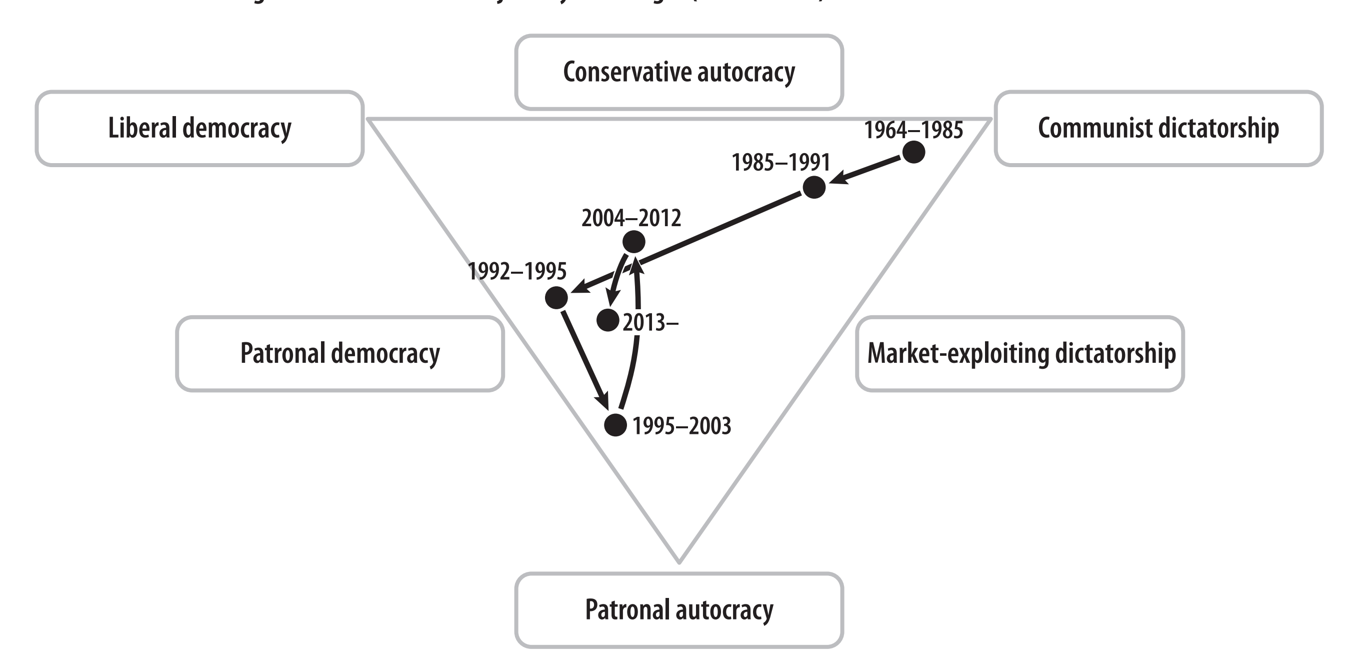
7.3.4.5. An attempt to break the regime cycle: Georgia

Finally, we may turn to the peculiar case of **Georgia** (Figure 7.24). Just like the three previous countries, Georgia was a member state of the Soviet Union until its dissolution in 1991. **After becoming independent, the country faced state failure and civil war**, with law and order in jeopardy and high levels of street crime and violence. To stabilize the country, local warlords Jaba Ioseliani and Tengiz Kitovani invited former general party secretary and Minister of Foreign Affairs of the Soviet Union, Eduard **Shevardnadze** to help put down the uprisings and become head of state after a military coup against then-sitting president Zviad Gamsakhurdia. Formally, Shevardnadze was Chairman of Parliament from 1992 and elected president **in 1995, which was the year he started instituting a single-pyramid power network with himself as chief patron**. Hale notes that already as Chairman, Shevardnadze started "the process of running his formal power into informal power. Aiming for the next elections, he created a party, the Citizens' Union of Georgia, that could serve as an institutional vehicle for his coalition […]. Emphasizing his own centrality, he also threatened to resign, prompting parliament (fearing more chaos) to grant him additional formal powers and even to suspend its own activities for a period. […] Shevardnadze sought other powerful allies and gave each reason to be invested in his rule[, including] Aslan Abashidze's regional machine in the autonomous region of Ajara [and the] shadow economy business operations of Kakha Targamadze's Interior Ministry."[143] According to Mizsei, the state under Shevardnadze "worked like most of the CIS countries, with people

[142] Solovyov, "Moldovan Regime Change Is Rare Example of Russian-Western Teamwork."

[143] Hale, *Patronal Politics*, 152.

Figure 7.24. Modelled trajectory of Georgia (1964–2019).



close to Shevardnadze, including his family members, acquiring large monopolistic economic rights, including in the oil and gas trade."[144]

However, Shevardnadze achieved **only autocratic breakthrough but no autocratic consolidation**. That is, civil society remained very active under his role, with relatively strong autonomy of the media, entrepreneurs and citizens. This allowed for the breakout of the first post-Soviet color revolution, **the Rose Revolution in 2003** which we traced in Chapter 4 [→ 4.4.2.3]. While patronalism did not perish after the revolution, the new government of Mikheil **Saakashvili made a unique attempt at an anti-patronal transformation**. Indeed, he was not completely free of patronalism, having been supported by major oligarchs like Bidzina Ivanishvili. But after the Rose Revolution, Saakashvili "combined [...] the genuine and brave fight against organized crime and corruption, and a libertarian drive to shrink the scope and extent of the state."[145] **Clearly ideology-driven**, Saakashvili's program proved to be anti-patronal because it **reduced the system of power&ownership by eliminating the power component**.[146] Realizing that power is automatically infused with ownership and public institutions are prone to be captured by informal networks, Saakashvili "brought sweeping deregulation that the Western partners didn't always understand, as they lacked appreciation of the context of those reforms. Two very visible measures occurred in 2005–2006, when the car and food safety agencies were eliminated, since they did not take care of car and food safety but were purely hotbeds of corruption. [...] The early shocks of eliminating these dysfunctional, parasitic institutions, as well as other agencies, were often treated as 'excessive' and even 'lunatic' by inter-

144 Mizsei, "The New East European Patronal States and the Rule-of-Law," 547.

145 Mizsei, "The New East European Patronal States and the Rule-of-Law," 547.

146 Saakashvili and Bendukidze, "Georgia: The Most Radical Catch-Up Reforms."

national partners. In fact, it was exactly this radicalism that was a core factor in reforms that triggered real—not merely cosmetic—change."[147] In addition, "authorities were very strict with crime and corruption. Sentences were harsh and the prison population grew. This was crucial to break the expectation of the criminal state's eternal survival; it sent the message that there would be zero tolerance of crime and corruption."[148] The reforms succeeded in reducing free-market corruption and cronyism, too [→ 5.3.2.2], particularly in dealings with state bureaucracy, education system, healthcare, law enforcement, and the judiciary.[149]

On the other hand, **anti-patronal transformation**—which was not completely successful, with Ivanishvili still retaining influence in the polity—**was not combined with democratic transformation**, resulting in **a sequence toward conservative autocracy**. Mizsei reports, "this period did not produce […] the clear separation of executive and judicial power, a key component of the rule-of-law. […] Media pluralism suffered after the 2007 Imedi case, where the police used force to disperse a demonstration, then the government ordered the closure of the Imedi television stations and police damaged equipment in their central studio. [Businesspeople] associated with the previous regime were often put in jail and released after a pledge to pay. At that point, it was purely informal and could even be justified by the urgent financial needs of the new, revolutionary state. This arbitrariness, however, never really ended. […] Saakashvili […] thought they could take shortcuts to reforming the state."[150]

The competitive authoritarian regime of **Saakashvili was eventually defeated by Ivanishvili himself in 2012, returning the country to a somewhat more patronal status**.[151] As Mizsei notes, it is a rare phenomenon in the post-Soviet patronal world that a peaceful, election-based transition of power occurred from Saakashvili and his United National Movement (UNM) party to the opposition.[152] With Saakashvili rendered an unpopular lame-duck, Georgia emerged—as Hale writes—with a "pronounced competing-pyramid situation."[153] This seemingly changed when, after modifying the electoral system toward a strongly majoritarian direction, the ruling Georgian Dream party achieved constitutional majority in 2016. However, as of late 2019, **this has not been followed by autocratic consolidation, nor a clear attempt to establish a single-pyramid patronal network**. The intensity of competition and numerous (legitimacy-questioning) demonstrations suggest patronal democracy rather than autocracy.[154] In addition, the three-wave reform of the judiciary (2012–2019) increased transparency of system and judicial independence, limiting the rules of transferring judges from one court to another and introducing elec-

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147 Mizsei, "The New East European Patronal States and the Rule-of-Law," 550.

148 Mizsei, "The New East European Patronal States and the Rule-of-Law," 548.

149 Aliyev, "The Effects of the Saakashvili Era Reforms on Informal Practices in the Republic of Georgia."

150 Mizsei, "The New East European Patronal States and the Rule-of-Law," 547–55.

151 Hale, *Patronal Politics*, 208–10.

152 Mizsei, "The New East European Patronal States and the Rule-of-Law," 559. On why this is an oddity, see Chapter 4 [→ 4.3.3.2].

153 Hale, *Patronal Politics*, 212. Also, see Radnitz, "In Georgia, Two Machines Are Better Than One."

154 Nikoladze, "Protests in Tbilisi Continue after Dispersal"; Genin, "Georgian Protests."

tronic random assignment of cases.[155] In spite of criticisms from the side of civil society,[156] and also that the government employs strong populist rhetoric, demonizing Saakashvili,[157] the aforementioned reforms indicate steps toward normativity instead of widening the realm of discretion as it would be typical for a patronal actor with supermajority.

7.4. Beyond Regime Specificities: Country and Policy-Specific Features

The eleven dimensions outlined in **Part 7.2 contained only regime-specific features**. This means that what they provided analytical aspects for solely for the regime: the institutionalized set of fundamental rules structuring the interaction in the political power center and its relation to the broader society [→ 2.2.2.1]. Simply put, a country's **regime-specific features regard power and autonomy**: they answer (1) which actor has and does not have power and/or autonomy in either sphere of social action; (2) what the character of the exercise of power and autonomy is; (3) in what arrangement holders of autonomy and power coexist; and (4) how the given arrangement is maintained, that is, how regime stability is achieved [→ 6.3]. Hence, regime-specific features are the ones by which a regime is defined, and this is how we defined the six ideal type regimes as well, which required eleven dimensions (in addition to Kornai's general-regime definitions) to be unambiguously delimited.

Taking the regime as a point of reference, we can regard regime-specific features as **endogenous factors, and what follows from them, the endogenous (internal) logic and dynamics of regimes**. This is what we attempted to capture in sections like Part 4.4, 5.6 or 6.2: how the features like patronalism of rule, plurality of power networks or the dominant form of property induced a specific type of functioning, or a specific pattern of social action undertaken by the actors who typically populate such regimes [→ 3]. However, the illustrative sketches of **Part 7.3 demonstrated two things: (1) the eleven dimensions did not cover the entire complexity of a country**, meaning in each real-world regime's story there were numerous aspects that none of those dimensions reflected, despite those aspects still having a major role in determining the respective regime's trajectory; and as a corollary, **(2) some regime dynamics did not follow from the eleven dimensions** but from factors like foreign interference and ethnic cleavages, which could not be accounted for within the range of regime specificities.

To fill this gap, we move from regime-specific features and endogenous factors and try to enumerate **exogenous factors**. These describe "the rest of the polity," or more precisely the domestic and international environment in which the given regime operates. Among exogenous factors, we may differentiate two groups:

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[155] Oniani, "Towards Strengthening the Rule of Law through Independent Judiciary."

[156] Abashidze et al., "The Judicial System: Past Reforms and Future Perspectives."

[157] Chkhikvadze, "Georgian Dream's Pyrrhic Victory."

- **country-specific features**, which are related to a country's (1) culture, including national and ethnic cleavages, (2) history, including the size of the country and the survival of nomenklatura in general and secret services in particular, and (3) natural endowments, including natural resources and geographical position (and, relatedly, geopolitical position);
- **policy-specific features**, which are related to the exact content and (quantifiable) result of policies that certain regimes produce.

Such features may influence the relation of power and autonomy—that is, the regime's internal logic—but they are not the relation itself, which manifests in features like patronalism of rule or pluralism of power network. Thus, they must be kept analytically distinct from regime-specific features, so we can see what the fundamental character of the regime is and how it is modified by country and policy specificities.

Indeed, a substantial body of the literature deals with country-specific features, and revealing the exact causes of the idiosyncrasies of each post-communist country could fill several separate books. However, for the purposes of our book it suffices **to identify some important country-specific dimensions along which post-communist countries of the same regime type can be analyzed**. These dimensions may exist and influence the functioning of any of the six ideal type regimes, although we focus mainly on their effects on patronal regimes for those are the most prevalent in the post-communist region.

An attentive reader may note that this is not the first time we deal with country specificities. Besides various references throughout the book, Chapter 1 was generally devoted to country-specific features, outlining the stubborn-structures argument and describing the three historical regions of the former Soviet empire. Yet it is important to distinguish that chapter from the following exposition. Chapter 1 focused primarily on the development of regime-specific features, that is, why certain regions were more prone to produce certain regime types. In contrast, the primary concern of our exposition now is how countries with the same regime-specific features differ. To use a simple metaphor, Chapter 1 explained why our subjects became cats or dogs, while the following pages will stress what differentiates Chihuahuas and Great Danes. We will now deal with "intra-species differences," not the explanation of why a subject is a member of the species to begin with. And while variants of the same regime may differ significantly, their differences do not make them members of different species. For example, a country can be a patronal autocracy with small territory just as with large one, or a patronal democracy may be lagging or featuring a stable, successful economy while still belonging to the "species" of patronal democracy.

7.4.1. Ethnic Cleavages as a Source of Pluralism and Disorder

The original model of **identity politics** we discussed in the previous chapter [→ 6.4.2] is the politics of **ethnic identities**. We understand "ethnic" broadly as shared identity based on common ancestry, language, culture or nationality [→ 3.6.2.1]. As for ethnic identity politics, its essence is the same as that of the populist variant: the division of **"us" and**

"them," that is, those inside the group and outside of it.[158] However, the resultant cleavage does not have to be Manichean and single-focused, and members of an ethnic group do not necessarily understand interaction with other groups as zero-sum games. What the groups that constitute ethnic identity politics must meet is either or both of two criteria: **(a) ethnicity provides a cohesive force on the level of elites**, meaning certain factions of political actors are bound together by ethnic identity, and/or **(b) ethnicity is a source of mass mobilization**, meaning a substantial size of the country's population is emotionally attached to the given ethnicity and is willing to act for the ethnic-group interest, even at the expense of their individual interest.[159]

Distinguishing analytical dimensions, we may discuss first the **internal aspects** of ethnic politics. The vast body of literature is devoted to ethnic cleavages and their political impact, particularly their detrimental effects for a democracy, which should be based on peaceful public deliberation and individual human dignity [→ 4.2.2].[160] Under communist dictatorships, however, many of the preexisting ethnic populations were dealt with a mixed strategy of (1) oppression and (2) administrative separation in a federal structure, if the ethnic group was particularly tied to a well-defined area (like the Slovenes in Yugoslavia, the Slovaks in Czechoslovakia, and Abkhazians in the Soviet Socialist Republic of Georgia).[161] In the post-communist era, **the first analytical dimension** of ethnic identity politics is **whether ethnically divided countries broke up after the regime change**. Cases when they did can be classified by three aspects: (a) whether the breakup resulted in the formation of new countries or administratively separated ethnic enclaves; (b) whether the breakup was peaceful and recognized by both sides or not; (c) whether the breakup happened along the divisions of the previous federal structure or not. Members of the Soviet Union seceded peacefully, forming new countries and along the pre-existing federal divisions; the dissolution of Yugoslavia also resulted in new countries along the lines of pre-existing territorial subdivisions, but it broke up violently. Serbia represents cases of bilaterally accepted secession (Montenegro) and unilateral secession (Kosovo), whereas Moldova and Bosnia-Herzegovina feature ethnic enclaves (Transnistria and Republika Srpska, respectively). In either case, the aim of such secessions in the wake of nation formation was to create ethnically more-or-less homogeneous units, with a political life less affected by ethnic cleavages.

In countries that did not break up, ethnic cleavages continued to exist and patron-client networks, or more precisely **ethnicity-based clans** [→ 3.6.2.1] were formed around them, becoming regular participants in the country's political life via patron's parties [→ 3.3.7]. This gives rise to **the second analytical dimension**, namely **whether ethnic clans dominate the political landscape** or not. The Hungarian minority in Romania (and its party, RMDSZ), for instance, is a minor player compared to the large patronal networks, but it maintains its position and balances between the networks, supporting

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[158] For a meta-analysis, see Varshney, "Ethnicity and Ethnic Conflict."

[159] Way, *Pluralism by Default*, 18–21. Also, see Berezin, "Emotions and Political Identity"; Beissinger, *Nationalist Mobilization and the Collapse of the Soviet State*.

[160] For seminal works, see Horowitz, "The Challenge of Ethnic Conflict"; Snyder, *From Voting to Violence*.

[161] For an overview, see King, Rupesinghe, and Vorkunova, *Ethnicity and Conflict in a Post-Communist World*.

either one or the other in coalitions in a functionality-coherent way, without an ideological commitment.[162] However, in the post-communist countries of Soviet Central Asia, we can observe what Collins vividly describes as **"clan politics,"** with ethnicity-based clans dominating the patronal regimes.[163] In such countries, **the third analytical dimension** comes in, concerning **the presence of a clan pact,** that is, an informal agreement to stabilize relations between the clans. According to Collins, such pacts are likely to be made when "(1) a shared external threat induces cooperation among clans who otherwise would have insular interests; (2) a balance of power exists among the major clan factions, such that none can dominate; and (3) a legitimate broker, a leader trusted by all factions, assumes the role of maintaining the pact and the distribution of resources that it sets in place."[164] As Collins persuasively shows, clan pacts were necessary to create a stable regime after the transition in Soviet Central Asia, and where it was not concluded—namely Tajikistan—its absence led to a civil war. In the Orthodox historical region, however, countries like Ukraine that featured clan politics but not a clan pact have not experienced ethnic civil war during the regime change. Rather, after a period of oligarchic anarchy, the development of a functioning patronal democracy [→ 4.4.2, 7.3.4.2].[165]

If a clan pact is in place, **the fourth analytical dimension appears, regarding whether the pact stabilizes a single- or a multi-pyramid patronal network.** The prime example for **the latter is Kyrgyzstan**, which has featured a "relatively liberal political environment, the economic autonomy of local patron-client networks, the rivalry between northern and southern elites"[166] and a profusion of nonaligned local tribes, driving the regime towards a parliamentary bargain-mechanism.[167] Among **single-pyramid clan pacts**, we can see a variation in their strength and duration. In **Uzbekistan**, the pact was made during the transition and it has persevered, surviving even the death of chief patron Karimov.[168] However, in **North Macedonia**, the clan pact between the Albanian and ethnic Macedonian clans under Gruevski was formed after transition—indeed, after a brief ethnic civil war in 2001—and it eventually broke up, precisely along the initial ethnic cleavage [→ 7.3.4.3].

Single-pyramid clan pacts provide counterexamples to Way's claim that polarized ethnic-nationalist divisions undermine elite collusion and lead to "pluralism by default."[169] Yet he is right to point out that, **in short of such a clan pact, ethnic cleavages may prevent the consolidation of single-pyramid patronal networks**. After autocratic breakthrough, opposition parties can counter the government only if they have a strong, legitimacy-questioning community of voters [→ 4.3.2.1]. If there is no strong opposition sentiment among

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[162] Magyari, "The Romanian Patronal System of Public Corruption."

[163] Collins, *Clan Politics and Regime Transition in Central Asia*.

[164] Collins, *Clan Politics and Regime Transition in Central Asia*, 50.

[165] Minakov, "Republic of Clans."

[166] Hale, *Patronal Politics*, 194.

[167] On the multi-pyramid patronal network of Kyrgyzistan, see Figures B.1–8 in Chayes, "The Structure of Corruption."

[168] Hale, *Patronal Politics*, 242.

[169] Way, *Pluralism by Default*, 20–21.

the people, the opposition must build it, which requires campaigning and media presence that the chief patron may be able to withhold by increasingly dominating the sphere of communication [→ 4.3.1.2]. But, as Way points out, an ethnic cleavage already carries an opposition sentiment, combined with mass mobilizing structures that can be exploited against the emergent single-pyramid.[170]

On the other hand, Way calls attention to the pattern that "passionate divisions over identity and culture […] rarely remain confined within domestic borders. They are thus likely to have a critical impact on countries' exposure to external pressure. By tapping into broader geopolitical divisions, polarized splits between Russophile and non-Russophile groups in the post-Soviet context have opened incumbents to pressure from both Russia and the West."[171] This leads us to the discussion of **external aspects**. Focusing on ethnic cleavages, our main question in this regard is **whether a given ethnic minority is (a) emotionally attached to a mother country that is (b) geopolitically active**. This particularly means **Russian minorities** in the Eastern-Orthodox historical region.[172] **In Ukraine**, the Russian minority living in the industrial zones enjoyed a privileged position in the Soviet Union, which is therefore a subject of nostalgia in a country that is now one of the poorest ones in Europe. Beyond language and corresponding foreign-policy preferences, economic nostalgia might have been one element that made the hybrid war in Donbass Region possible, as well as the expansionist geopolitics of the Russian Federation.[173]

Another example of Russian minorities that constituted a country-specific influence on regime functioning can be found in **the Baltic states**. While Estonia represents a case of transition to liberal democracy with no democratic backsliding, a major segment of the Russian minority was excluded from suffrage after the transition. This was how these states dealt with the problem of externally-backed ethnic cleavages: by exclusion of the respective minority from the political playing field.[174] The situation changed when the countries expressed interest in joining the European Union, which required equality of rights.[175] Yet Estonia managed to perform a "nation-level cooptation" of its Russian minority: parallel to the gradual extension of its rights, the Russian minority's attachment to its mother country gradually faded. This was made possible by Estonia's economic development, which—in contrast to Ukraine—weakened the grounds of Soviet nostalgia among Estonian Russians. Indeed, a new Baltic-Russian identity has surfaced, based on the country's success, replacing the Russian imperial identity.

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170 Way, *Pluralism by Default*, 19–20.

171 Way, *Pluralism by Default*, 21.

172 The Islamic historical region has been characterized by the presence of relatively few ethnic Russians and a correspondingly small Orthodox Christian population (Kazakhstan had the largest proportion of ethnic Russians in Central Asia, but that percentage has dropped from 37% to 26% of the total population between 1989 and 2007). Peyrouse, "The Russian Minority in Central Asia: Migration, Politics, and Language."

173 Kuzio, "Russia–Ukraine Crisis."

174 For contemporary discussions in Estonian politics, see Vetik, "Ethnic Conflict and Accommodation in Post-Communist Estonia."

175 Galbreath, "The Politics of European Integration and Minority Rights in Estonia and Latvia."

7.4.2. Deep State and the Survival of Communist Secret Services

While every sovereign state maintains an intelligence agency, and its loyalty regime-specifically differs between the three polar type regimes [→ 3.3.6], it is a country-specific phenomenon when **agencies tasked with issues of national security start acting as a deep state**. By "deep state," we mean a developed, autonomous network of the intelligence agency that acts on informal agendas, either together with existing (patronal) networks or against them.[176] In other words, an intelligence agency can informally become an autonomous unit, a "state within the state"—or rather a "mafia within the mafia" in some post-communist countries. The existence and dynamics of such a phenomenon largely depends on the plurality of power networks in a regime, therefore it indeed can be situated on the power-autonomy nexus. The reason we regard the deep state as country-specific is that **no regime type necessarily features it, while it can coexist with several regime types**. Moreover, whether a deep state exists and what role it has **greatly depends on the country's own history**, particularly the form of transition and the formal powers vested in secret services after the regime change.

In communist dictatorships, secret services were not autonomous from the party state [→ 3.3.6]. On the contrary, they were important instruments of the party for military and intelligence gathering, maintaining political control and domestic suppression, and even covert trade of weaponry and technology. Agencies like the KGB in the Soviet Union, the StB in Czechoslovakia or the Securitate in Romania constituted large networks that suffused state and society. **The knowledge and social capital represented by (the members of) these networks could be converted to political and economic capital** after the regime change. We have already mentioned the early kompromat market—like the one that developed in Russia in the 1990s—where one could capitalize on gathered intelligence [→ 4.3.5.2], and indeed the knowledge that one was recruited is itself a form of kompromat, especially in democratic regimes where lustration did not occur or did so only partially.[177] Arguably, individuals could use accumulated social capital toward foreign countries in various ways as well, but the specific issue this part regards is **the survival of the communist secret service as a domestic network**. In some countries, domestic survival did not produce a "deep" state but the state itself, that is, the new ruling elite. Examples include Azerbaijan with Heidar Aliyev, who became chief patron after pursuing a career in the KGB, [178] as well as Russia with Putin and his so-called *siloviki*.[179] According to Petrov, Putin set out to establish "the essential numerical superiority of the FSB and other secret services officers in positions of power," in addition to borrowing "[appropriate] elite codes and norms of behavior" from secret services: "striving for control, and control over the controllers, rather than transparency; inspiring and maintaining conflicts in corporations'

176 For a more general definition of deep state, see O'Neil, "The Deep State."

177 Szczerbiak, "Dealing with the Communist Past or the Politics of the Present?"; Horne, "Late Lustration Programmes in Romania and Poland"; Ungváry, *A szembenézés hiánya* [Lack of facing].

178 Hale, *Patronal Politics*, 149–51.

179 Viktorov, "Russia's Network State and Reiderstvo Practices," 445–47.

leadership and between corporations; reinforcing numerous verticals, alongside a lack of horizontal connections and trust."[180] In cases like Azerbaijan or Russia, the country's single-pyramid patronal network features a transformed secret service at its core, whereby the latter remains a specific, operationally distinguishable branch of the adopted political family (nomenklatura-based clan [→ 3.6.2.1, 3.3.5]).

In countries where some sort of deep state did develop, the survival of secret service often happened through **continuity of personnel in the freshly founded intelligence agencies** of liberated countries.[181] Ukraine is a good example of such continuity: although the Ukrainian Security Service (SBU) replaced the Ukrainian branch of the KGB, experts estimate that 35 percent of the SBU was composed of KGB professionals who had been trained by and retained contacts with Moscow.[182] Building on the accumulated knowledge and social capital, **a deep state could be formed as an informal extension of the powers formally vested in the secret service**. To be more precise, the deep state may be analyzed by four aspects:

1. **Strength of the network.** Losing its formally granted central position, the secret service often weakened in the process of transition. A deep state could be developed as the power of a secret service was reconstructed, either by (a) formal means, meaning a wide formal mandate of the new agency (like in Ukraine, where SBU deals with economic crimes regarded as "matters of national security"), or (b) informal means, meaning the use of accumulated social capital to place moles in important positions and kompromat to capture formal political actors through blackmail. In addition, the coherence of the network should be mentioned, where deep-state hierarchies can be put on a scale from strict, almost military-like order to a disorganized set of competing groups and departments.

2. **Motivations of the network.** Actors of the deep state may use their power to achieve economic and political goals. In some cases, the formal and informal powers of the deep state are used for blackmail, extorting monies out of people by coercion. Anecdotal evidence suggests that substantial private fortunes were amassed this way, ensuring luxurious lifestyle, but not as significant as the wealth of oligarchs and chief patrons in single-pyramid systems. In other cases, the deep state is entangled with politics, whereby it can either act as (a) a server of politics, meaning it informally offers its services to interested patronal networks (e.g., Hungary before 2010),[183] or (b) a maker of politics, meaning it uses its means to influence policy-making and appointments, as well as enthroning and dethroning political actors in accordance with informal agendas (e.g., Romania).[184]

3. **Autonomy of the network.** The situation of the deep state is analogous to that of autonomous oligarchs. Namely, (a) in a multi-pyramid network it can retain

180 Petrov, "Putin's Neo-Nomenklatura System and Its Evolution," 197.

181 Knight, *Spies without Cloaks*; Williams and Deletant, *Security Intelligence Services in New Democracies*.

182 Anderson and Albini, "Ukraine's SBU and the New Oligarchy."

183 Széky, *Bárányvakság* [Daytime-Blindness], 232–49.

184 Mungiu-Pippidi, "Explaining Eastern Europe."

a relative autonomy, maintaining—perhaps not equal,[185] but—good relations with the competing networks while avoiding subjugation to either of them, whereas (b) in a single-pyramid network it may be temporarily recalcitrant or have a positive (adopted), negative (rival) or neutral (fellow traveler) attitude toward the chief patron, but it will eventually lose its autonomy should the single-pyramid consolidate [→ 3.4.1.3]. Indeed, it is patronal competition that allowed a deep state to function in Ukraine and Romania, whereas the secret service has not been an autonomous server of politics but a client organization in Hungary since 2010.

4. **Privatization of the network.** The deep state typically relies on the means of the public security agency, but occasionally private agencies can take part in its working as well. Hungary provides an example, where it was Orbán's patronal network that relied primarily on such services. Indeed, securing control over the secret services was a key issue for Fidesz, right from the beginning: already in 1990, in exchange for supporting the election of the liberal Gábor Demszky as lord mayor of Budapest, Fidesz bargained, and secured his previous position in parliament as chairman of the Committee on National Security for themselves. Until the middle of the 2000s, even in opposition, Fidesz used this position to ensure its influence over the national security apparatus. But in 2006, the governing socialists ended the services' practice of "reporting both ways"—that is, to both the Socialist government and Fidesz—which had been the pattern until then, resulting in serious conflicts between the two political parties. This development lent importance to private companies undertaking dubious secret service activities, such as UD Zrt., described by a leading Hungarian economic weekly as "a private intelligence agency that organizes party coups."[186] The pensioned secret service agents working there were later reactivated by Fidesz in the official security organizations, after their return to power in 2010. However, since 2010 Minister of the Interior Sándor Pintér oversees not only the police, but also the secret services, which meant reversing the decision on the separation of the two bodies, which was a symbolic act during the regime-change. This reversal marked the domestication of the former deep state into the patron's secret service [→ 3.3.6].

To sum up, the deep state may exist as a strong, relatively autonomous political entity if it is empowered both formally and informally, and if it is situated in a competitive regime. Technically, this could be a liberal democracy as well, where the influence of a deep state would count as tutelary interference that is inimical to constitutional principles.[187] However, **in a patronal democracy like Romania, the deep state is simply one informal network that coexists with informal patronal networks**, the main difference being that it has no formal party but rather a background presence. In the region's patronal autocracies, however, the deep state either does not exist—as it became a strong nomenklatura element of the adopted political family—or it is subjugated, marginalized or eliminated.

185 Cf. Kuzio, "Russianization of Ukrainian National Security Policy under Viktor Yanukovych."

186 "Nem ártatlannak való vidék" [No country for innocent men].

187 O'Neil, "The Deep State," 4–6.

7.4.3. Country Size and the Global Ambitions of Former Empires

7.4.3.1. The stratification of single-pyramid patronal networks revisited

The size of the territory and population of the country where the regime operates strongly influences the character of single-pyramid systems. Such systems must have control over the whole country, whereas the chief patron must be able to dispose over important actors, statuses and resources in the territory of the country to institute a single pyramid in the first place [→ 4.4.3]. This requires the ability to have control over the territory, not only in terms of mere stateness but also in terms of monitoring the activity within the patronal network. The larger and more populous the country is, the higher the costs of monitoring are, and the more difficult it is for the chief patron to supervise the activity of clients directly.

Indeed, we have already touched upon this issue in Chapter 2, when we introduced the notions of **one-tier and multi-tier single-pyramids** [→ 2.2.2.3]. "Tier" in this context means a level of authority, where a patron is able to manage and directly monitor his clients' behavior. A tier also entails a level of autonomy, meaning the top patron of a tier has freedom to order clients, within predefined limits, without the interference of an upper-level patron.

In regimes with smaller territories and populations, one-tier single-pyramids are typical. This is not to say that there is no stratification of the patronal network: there are sub-patrons (as in every post-communist patronal network), and they also compete against each other. But they do not have a territory or region which they would rule with relative autonomy, but instead control is centralized in the hands of the chief patron. A good example for such an arrangement is the patronal autocracy in **Hungary**.[188] Chief patrons of one-tier single-pyramids have strong direct control over their own polity as they do not have to balance between relatively autonomous regional sub-patrons.[189]

Balancing is typical in **multi-tier single-pyramids, which develop in countries with territory so large that the costs of direct monitoring would be too high.** The obvious example is Russia, where there are basically regional "sub-pyramids" within Putin's single-pyramid.[190] The sub-patrons who lead these sub-pyramids are simultaneously (1) clients of the chief patron and (2) the top patrons in their own localities. The power of local governments is not curtailed and centralized, but instead sub-patrons are granted the right to rule their geographically limited regions. Indeed, this rule is isomorphic to the central rule, meaning a sub-patron follows the same patterns of behavior with regard to his locality as the chief patron does with regard to the country. In other words, in a patronal autocracy **the central mafia state of the chief patron is accompanied by sub-sovereign mafia states of lower-tier patrons**, controlling territories as large as a country with a one-tier single-pyramid [→ 2.5.3]. In Russia, regional top patrons are represented in the State Council, and Putin appoints some of these patrons (governors) to the Council's Presidium

188 Magyar, *Post-Communist Mafia State*, 74–105.

189 Cf. Magyar, *Post-Communist Mafia State*, 82–88.

190 Hale, *Patronal Politics*, 110–15.

on a rotational basis. While not grounded in the Constitution, the Presidium's selected lower-tier patrons get direct monthly access to the chief patron, as well as special authorization for policy initiatives during their terms.[191]

Yet territorial autonomy does not mean that everything that is on the territory of the sub-patron automatically belongs to him. Resources of nation-level importance—especially natural resources [→ 7.4.6.1]—are kept under the direct supervision of the chief patron, irrespective of their geographical position, while the management of smaller-scale corrupt networks is done by the sub-patron, who enjoys authorized illegality in the region [→ 5.3.4.2]. We can see this in Russia, where Putin managed to restrain regional top patrons by seizing control over their tax revenues from natural resource extraction.[192]

Local patronal networks of sub-sovereign mafia states enjoy the chief patron's krysha [→ 3.6.2.1], meaning they are agents of authorized illegality in a "franchise" system of corruption [→ 5.3.4.2]. As Vladimir Shlapentokh and Joshau Woods write in their book on the Russian single-pyramid system, "Putin displayed indifference not only toward the corruption of local barons but also toward their direct connections with criminals. In 2000–2006, the Moscow media published numerous articles about the arbitrariness of local barons, the recruitment of their cadres (based on commercial interests), their connections with criminals, and their successful war against the independent media, which included the murder of journalists. […] **The immunity of the local** […] **elites to criminal prosecution** became a fixture of life in the post-Soviet period" (emphasis added).[193] The authors further note that, "[as] governors and presidents were useful people to Putin, their power over the local population was rarely checked. In many respects, their independence from Moscow was greater than during the Brezhnev period […]. When the system of supervision over the local administrators disappeared, **the residents of the regions were totally helpless before the local leaders**" (emphasis added). As the authors go on and describe the neutralization of free press and opposition in local regions, as well as the sultanistic spending of top patrons in Kalmykia, Bashkortostan and Tatarstan, the isomorphic nature of sub-sovereign mafia states within Putin's central one becomes clear.[194]

Typically, sub-patrons do not try to challenge the chief patron, neither directly—by entering nation-level politics—nor indirectly—by supporting opposition forces. Not only because they benefit from their position, but also because they know the chief patron is committed to bear virtually any cost to preserve his own position [→ 4.4.3.2]. Thus, regional sub-patrons usually "pay their taxes," that is, obey the chief patron and yield the resources he requests, resulting in equilibrium in a stable, ideal typical system.[195] However, **the freedom that comes with the right to rule a territory can be revoked by the chief patron.** After all, brokered autonomy is not freedom but a conditional state. As the chief patron refrains from constantly interfering in everyday operation of the regional network, his interference may happen (1) only under extraordinary circumstances and (2) with no

[191] Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 10.

[192] Åslund, "Russian Resources."

[193] Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*, 127.

[194] Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*, 128–30.

[195] Lanskoy and Myles-Primakoff, "Power and Plunder in Putin's Russia," 78–79; Rochlitz et al., "Performance Incentives and Economic Growth."

delicate correction and "fine tuning" of local cases. In other words, the chief patron does not intervene on the micro- but the meso-level: he deals with the top patrons—replacing current leaders and appointing new ones—not with their lower-level clients and cases. Thus, should the chief patron intervene, his intervention will be strong and break-like, replacing the top patron and perhaps a large part of his local court and network (like in the case of the Komi Republic in Russia [→ 2.5.3]).

A term that attempts to capture the same circumstances as "multi-tier single-pyramid" has been **"fragmented authoritarianism,"** used particularly in the literature on post-Mao **China**.[196] As Heilmann explains, "despite the political concentration of power […], the Chinese party-state cannot be regarded as a self-contained, monolithic entity. In fact, it is a conglomeration of organizations and regions, each of which has its own specific traditions, interests, internal rules, and links with the business community, society, and international partners."[197] As a result, "[below] the most senior leadership levels, Chinese politics is characterized by a system of permanent bureaucratic bargaining among various actors within the state bureaucracy. There are intensive formal and informal channels of communications and interdependencies […] between central and provincial authorities, which have a marked influence on the policy-formulation and policy-implementation process."[198]

The analytical dimension that needs to be stressed here is that of the formality-informality axis. Indeed, **market-exploiting dictatorships** like China represent cases of **bureaucratic multi-tier single-pyramids**, whereas **patronal autocracies** like Russia feature **informal multi-tier single-pyramids**. Naturally, there are informal relations in a bureaucratic setting as well, as the quote above also suggests. Yet we can make the same argument we made in Chapter 2, comparing informality in patronal autocracy and communist dictatorship. Namely informal norms in dictatorships are built around formal institutions, meaning they presuppose the formal rank of the actor and do not enable him to reach more power than he formally has [→ 2.2.2.2]. In the quote above, **actors as holders of formal positions engaged in a bargain (hence "bureaucratic" bargaining)**, whereas the subject they bargained over was the content and implementation of formal policies.[199] In contrast, **"chief patron" and "sub-patron" are informal titles**; even if they are attached to the *de jure* position most suitable to, and expressive of, their *de facto* power, **informality enables the actors to hold way more power, as heads of informal patronal networks, than what they formally have**. Bargaining as well as control and disciplining in such a network is necessarily done informally, or by formal means puppeted by the head of an informal network.

In bureaucratic multi-tier single-pyramids, various tiers of the pyramid are formalized. In China, the heads of provincial and municipal-level governments are formally granted their economic and political powers, with a level of autonomy ranging from low (such as autonomy in administrative reform in so-called autonomous regions), through medium (such as autonomy in culture and education in the provinces), to high (such as au-

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196 Lieberthal, "Introduction: The 'Fragmented Authoritarianism' Model and Its Limitations"; Mertha, "Fragmented Authoritarianism 2.0."

197 Heilmann, "3.8. Between Fragmented Authoritarianism and a Re-Concentration of Power," 191.

198 Huotari, Stepan, and Heilmann, "1.5. Analytical Approaches to Chinese Politics," 41.

199 Also, see Duckett, "Bureaucratic Interests and Institutions in the Making of China's Social Policy."

tonomy in economic policy in special economic zones) and even complete policy-making autonomy in special administrative regions.[200] The tendency of local governments to turn into sub-sovereign kleptocratic and mafia states is a deviance of the system, not a constituting element [→ 5.6.2.3]. **In an informal multi-tier single pyramid**, regional top patrons lead sub-sovereign mafia states by default, whereas the powers that have to be vested in regional actors are largely informal, such as authorized illegality. Therefore, in countries like Russia **the *de facto* powers of regional top patrons cannot be formalized**. Even if they hold an elected position, such patrons' status depends ultimately not on the voters but on the chief patron's krysha [→ 3.6.3.1].

7.4.3.2. The imperial ambitions of China and Russia

A final country-specific influence that stems from country size is that **large territory is often tied to imperial, expansionist ambitions**. On the one hand, this is deeply rooted in history as such large territories typically come into being by imperial ambition in the first place. Staying with our two examples: Chinese imperialism dates back to the conquests of King Zheng of Qin (later Qin Shi Huang) in the 3rd century BCE, and the country's present structure was formed with the incorporation of further territories under the Ming and Qing dynasties in 14th-18th centuries; whereas Imperial Russia was a result of continuous expansion in Eurasia in the 16th-19th centuries. Historical legacies of many centuries of imperial existence shape the perception and identity of current leaders and peoples, too, making imperial ambitions more probable. Yet such ambitions have adapted to modern conditions, and expansionism today should not be understood as a simple copy of former imperialisms either.[201] In the age of globalization, imperial ambitions mean **a strong will to balance the size of the country and its role as a global superpower,** manifesting in the expansion of global economic and/or political roles. **China** represents a case of enormous country size with **larger economic than political weight**. The second largest economy in the world (in GDP), China's expansionist policies are also mainly driven by economic means, including the slow but steady state-supported investment and trade expansion in Africa[202] and in post-communist Europe.[203] As one scholar explains, China has tried to follow "a 'full spectrum' strategy in moving up the global value chains—from an aggregator of high-end products to a producer and consumer of such goods," yet since the trade war between China and the U.S. some recipient countries have developed a more cautious attitude toward Chinese trade, particularly EU member states.[204] Potentially, economic expansion creates the necessary conditions for political expansion, but as of now, any signs of such ambitions are vastly overshadowed by China being an economic superpower.[205]

[200] Schmidt and Heilmann, "2.5. Provincial- and Municipal-Level Governments," 87.

[201] Tsygankov, "Mastering Space in Eurasia."

[202] Carmody, *The New Scramble for Africa*.

[203] Turcsányi, "Central and Eastern Europe's Courtship with China."

[204] Joshi, "China and Europe: Trade, Technology and Competition."

[205] But see Kornai, "Economists Share Blame for China's 'Monstrous' Turn"; Braga and Hall, "China's Emerging Liberal Partnership Order and Russian and US Responses."

As opposed to China, **Russia** has **larger political than economic weight**, which László Csaba vividly captures by calling it "Kuwait with nuclear weapons."[206] An economy relying mostly on the export of oil and gas instead of innovation and investment, the GDP of Russia with its 147 million people is smaller than that of South Korea with its 51 million people and only slightly surpasses that of the Benelux countries with 29 million people (in 2018).[207] Yet Russia has remained an important political actor even after the collapse of the Soviet Union. Getting out of oligarchic anarchy, the strong Russian state under Putin has exhibited a more political and military kind of imperialism,[208] in contrast to the "economic imperialism" of China.[209] True, Putin has also tried to increase Russia's economic power and has become a major force in the Eurasian Economic Union (EAEU), aiming at deepening the integration of the economies and markets formerly belonging to the Soviet Union.[210] But it is not without reason that, while China is involved in a similar regional integration project with the Association of Southeast Asian Nations (ASEAN), fellow members have never thought of China as jeopardizing their sovereignty.[211] However, members of the EAEU have been "concerned that Russian citizens are overrepresented in [EAEU] institutions, and that [EAEU] legislation is often based on Russian legislation and does not give smaller members sufficient input in its formulation. […] Nazarabayev [who first proposed the EAEU] has made it clear that he expects that the Eurasian Union will limit its activities to economic aspects of integration and will not develop political structures or institutions that infringe on the sovereignty of member countries."[212] Indeed, the threat of Russia intervening in the lives of other sovereign states has been manifest, particularly to **neighboring, post-Soviet countries** from which Russia selects its primary targets. These countries are attractive for Russian imperial ambitions not only because of the shared communist history, but also because (a) they often feature patronal regimes and/or substantial Russian minorities and (b) they are trading partners of Russia, with unilateral dependence on its transfers and/or natural gas supply.

While Russia's nuclear arsenal and permanent membership on the UN Security Council guarantee its political weight on a global level, three strategies applied toward its neighbors make it an important political player on the regional level.[213] These strategies are **autocracy promotion, military intervention, and "Gazprom diplomacy." Autocracy promotion**, in our understanding, refers to the practice of supporting autocratic breakthroughs and the longevity of established patronal autocracies.[214] Indeed, defeated chief patrons after color revolutions have often fled to Moscow, indicating Putin's friendliness

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[206] Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 217.

[207] According to World Bank data. World Bank, "GDP (Current US$)"; World Bank, "Population, Total."

[208] Kotkin, "Russia's Perpetual Geopolitics."

[209] Dzarasov, "Semi-Dependent Capitalism: Russia."

[210] Krickovic, "Imperial Nostalgia or Prudent Geopolitics?"

[211] Krickovic, "Imperial Nostalgia or Prudent Geopolitics?", 521.

[212] Krickovic, "Imperial Nostalgia or Prudent Geopolitics?", 521.

[213] For an analysis from civilizational perspective, see Katzenstein and Weygandt, "Mapping Eurasia in an Open World."

[214] Cf. Bader, Grävingholt, and Kästner, "Would Autocracies Promote Autocracy?"

toward such efforts,[215] whereas Russian intervention in Ukraine, Belarus and the Islamic historical region has meant the support of local single-pyramids, either established ones or attempts at establishing them.[216] Naturally, Putin's commitment to autocracy is not value coherent—unlike the democracy promotion of the West—but functionality coherent [→ 6.4.1]. That is, he is not interested in the spread of autocracy as the ideal model for the world but as an insurance policy for Russia, trying to prevent the negative externalities that would come with democratization in the region.[217] Second, the prime example of **military intervention** is the annexation of Crimea, which has been heavily criticized by the international community and provoked several economic sanctions against Russia.[218] Leading Russian analysts opine that Putin has further plans for military intervention and demonstration of force against the NATO, including the threat of using tactical nuclear weapons.[219] Beyond breaking Ukraine's autonomy, Putin also supports the integration of Belarus into Russia, which however the local chief patron, Lukashenko, opposes.[220] It should be mentioned at this point that Russia also backs the ethnic enclaves of Transnistria (in Moldova) and South Ossetia (in Georgia), which were part of the Soviet empire and attempted to secede in the wake of transition.[221]

"**Gazprom diplomacy**" means that Russia uses the bargaining power stemming from asymmetric interdependence, that is, unilateral dependence on a resource (natural gas), the supply of which is at the chief patron's discretional control [→ 5.3.4.4]. Ukraine, Moldova, Belarus and Georgia are the major countries in the region with a history of Gazprom diplomacy.[222] However, strong-arm business diplomacy is not necessarily limited to natural gas supplies or post-Soviet countries. As Pomerantsev and Weiss write, "[from] the threat of pork bans against Bulgaria to oil blockades against Lithuania and threats of renegotiation of energy contracts with British companies in Russia, the Kremlin employs a 'systematic policy of coercive bilateralism that includes diplomatic pressure, trade embargoes, transport blockades and… gas or oil supply contracts.'"[223] Indeed, we can observe a trend in Gazprom diplomacy: **while Russia keeps former Soviet countries on a leash through the control of supply prices, outside the post-Soviet region Gazprom is used for direct bribery and money laundering with the help of cooperative populists**. Examples include Viktor Orbán and his circle through MET Holding AG, which diverted potential state revenue to private parties through a gas deal,[224] as well as Matteo Salvini, whose longtime aide

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215 Gerlach, *Color Revolutions in Eurasia*.

216 Vanderhill, *Promoting Authoritarianism Abroad*. Putin did not support Plahotniuc's single-pyramid in Moldova, however [→ 7.3.4.4].

217 Tansey, "The Problem with Autocracy Promotion"; Way, "The Authoritarian Threat."

218 Veebel and Markus, "Lessons from the EU-Russia Sanctions 2014–2015."

219 Piontkovsky and Solovey, Война на пороге? [War is imminent?].

220 Sherwin, "Could Russia and Belarus Trade Oil for National Sovereignty?"

221 Popescu, "'Outsourcing' de Facto Statehood."

222 Gelb, "Russian Natural Gas."

223 Pomerantsev and Weiss, "The Menace of Unreality," 22. Also, see Leonard and Popescu, "A Power Audit of EU-Russia Relations."

224 Balogh, "Billions Diverted from Hungarian State Coffers to Natural Gas Broker."

Gianluca Savoini discussed a plan to covertly channel tens of millions of dollars of Russian oil money toward Salvini's Lega party.[225]

This leads us to the secondary targets of Russia, which have been selected from **global entities that potentially threaten the stability and ambitions of the Russian patronal autocracy**. Russia's action toward such entities like the EU and the U.S. has involved numerous types of actors on various levels. First, **individual politicians from Western countries** have been coopted through lucrative positions in the boards of Russian companies, effectively making them revolving-door lobbyists [→ 3.4.2] of Putin in the West. Notable examples are former German chancellor Gerhard Schroeder (Gazprom) and two ex-chancellors of Austria, Wolfgang Schüssel (Lukoil) and Christian Kern (Russian Railways).[226] Second, **populist parties in several EU member states** have had a close relationship with Russia, which is keen to support the rise of powers that attempt to undermine the unity of the EU. As a study of Western populists and their ties to Russia states, "Europe's populists routinely channel subversive Russian propaganda and help erode Europeans' trust in the EU, NATO, and liberal democratic politics at large. Some of them even have financial ties to the Kremlin."[227] **Paramilitary groups** supporting actual violence instead of liberal democracies' public deliberation process have also enjoyed the help of Russia.[228] Finally, among the targets of Putin's patronal autocracy have been **the citizens** as well, who are in the center of an **"information war"** on the West[229] that involves the politically motivated spread of fake news and disinformation [→ 6.4.2.4].[230] Putin's patronal autocracy has even been accused of interfering in election processes, trying to tilt public opinion toward populist victories. A recent case is that of the 2019 elections for the European Parliament,[231] although a better-known controversy has arisen in the context of the 2016 election of US President Donald Trump.[232]

7.4.4. Geopolitical Orientation and the Coexistence of Liberal and Patronal Regimes in the European Union

7.4.4.1. Core and follower states in civilizational gravitational fields

The imperial ambitions of China and Russia are not related only to their large country size, or the conquest-packed history thereof. Indeed, they are also **core states of civilization**, to use Huntington's term. As he explains, "core states of the major civilizations are […] the principal poles of attraction and repulsion for other countries. [This is] most clearly visible

[225] Nardelli et al., "Unmasked."

[226] Jahn, "Focus on Ex-Western Leaders Working for Despots"; "Lobbyismus."

[227] Rohac, Zgut, and Győri, "Populism in Europe and Its Russian Love Affair," 1.

[228] Krekó, Győri, and Zgut, "From Russia with Hate."

[229] Pomerantsev, "The Kremlin's Information War."

[230] Panyi, "Orbán Is a Tool in Putin's Information War against the West"; Applebaum and Lucas, "The Danger of Russian Disinformation."

[231] Szicherle et al., "Investigating Russia's role and the Kremlin's interference in the 2019 EP elections."

[232] Persily, "The 2016 U.S. Election"; Isikoff and Corn, *Russian Roulette*.

with respect to **Western, Orthodox, and Sinic civilizations**. In these cases civilizational groupings [exist] involving core states, member states, culturally similar minority populations in adjoining states, and [...] peoples of other cultures in neighboring states. States in these civilizational blocks often tend to be distributed in concentric circles around the core state or states, reflecting their degree of identification with and integration into that bloc" (emphasis added).[233]

To revisit a metaphor we used in Chapter 1, we can term the core states' above-described ordering effect **civilizational gravitational fields**. This means there is no such determinism that some countries must belong to the bloc of either one or the other core state. Rather, there is a complex set of incentives, influences and interdependences that pull countries within the range of the gravitational field of a core state, **making affected regimes more prone to form geopolitical alliances with the core state and with each other**. While in Chapter 1 we discussed the effect of the Western gravitational field on primary trajectories and regime formation [→ 1.5.2], now we speak about more gravitational fields and their influence on the established regimes' geopolitical orientation.

While **China** is **the core state of the Sinic civilization, no country in the post-communist region we consider belongs to its gravitational field.** Countries that do—according to Huntington—are situated in the Far East and Southeast Asia, like the two Koreas, Vietnam, Thailand, Singapore etc.[234] Accordingly, none of the post-communist countries are particularly China-oriented, although they are affected by China's above-described attempt at economic expansion. On the other hand, **Russia as the core state of the Orthodox civilization** has numerous countries in its gravitational field, which is complemented by Putin's political and military imperialism. **The "follower states" that adjust to the civilizational gravitational field** may be classified by their geopolitical orientation. In one group, there are **countries that are completely Russia-oriented**, including the states of the Islamic historical region as well as Belarus. An Orthodox country estranged from the West in the 1990s,[235] Belarus sought no alternative to orientation toward Russia, which has also anchored the country to its own sphere of interest. "Realizing that Lukashenko would not turn towards the West," Rouda writes, "Putin tried to ensure the advantages of Russian amity in Belarus, fencing the country off from any economic resources other than Russian ones. The so-called Eurasian Economic Union was created to serve these purposes. Putin aimed at establishing in Belarus a strong local model of the Russian polyarchy—a model so dependent on Russia that it would leave no room even for an autonomous Belarusian polyarchy headed by Lukashenko. All in all, the special preferences enjoyed by Belarus cost Russian taxpayers at least 14 billion US dollars in 2007, a figure which continued to increase until 2015."[236]

In the other group, there are **countries that attempt to break out of Russia's civilizational gravitational field**. Because of their geographical position, **the Baltic countries** fall under Russia's pull, but they have been **successful** in returning to their Western Christian roots: they even joined the European Union in 2004, alongside the post-communist

233 Huntington, *The Clash of Civilizations*, 155.

234 Huntington, *The Clash of Civilizations*, 168.

235 Ioffe, "Belarus and the West."

236 Rouda, "Is Belarus a Classic Post-Communist Mafia State?," 254.

countries of Central-Eastern Europe. Yet countries like **Ukraine and Moldova have been less successful**. Apart from their belonging to the civilization of Orthodox Christianity, the two countries' lack of success can also be attributed to the fact that they feature divisions over national identity, with some (ethnic) groups wanting to turn the country to the West while others, to more firmly anchor it to Russia. Dividing Ukraine into three regions, Way writes that "Western Ukrainians [express] greater support for the European Union and the NATO and less support for Russia and the CIS than did their counterparts in the east," whereas "central Ukraine was the country's swing region. [...] In the early 1990s, [it] tended to support Russophile political forces, but it gradually shifted over to the Ukraniophile side by the mid-2000s."[237] As far as the Moldovan people are concerned, "the country retained a 'deep' divide over Moldova's geopolitical orientation—with about a third supporting closer ties to Russia, a third opposed to Russia, and a third who were neutral. Moldova's leaders were 'equally split' over whether to pursue pro-European or [...] pro-Russian policies, and 'the identity question remained one of the few clear ideological issues that distinguished one party from another.'"[238]

From the previous paragraphs, it should be apparent that, on the opposing side of the Russian gravitational field, **the Western civilization represents the main competing gravitational field**. Focusing on the post-communist region, countries in this gravitational field include **Central-Eastern Europe** in general, and the Western-Christian historical region in particular, and also—by their civilizational roots and successful breakout from Russia's gravitational field—the Baltic states. Focusing on the multiple agents of civilization, **the integration of these countries into the Western civilization was done (a) militarily by the U.S.-led NATO[239] and (b) economically and politically by the European Union**.[240] What Levitsky and Way describe as "linkage and leverage" [→ 1.5.2] is in part the gravitational field itself and in part the economic and political ties formed as a result of it, eventually leading to joining the EU. More precisely, "linkage" refers mainly to the historical aspect, namely the ties that are formed naturally because of the civilizational commonalities, whereas "leverage" alludes to the active policy of the West aiming at civilizational integration.[241] However, as opposed to the U.S., **the European Union is a semifinished civilizational core—**which is precisely the source of its ambiguities and problems after the accession of post-communist countries.

7.4.4.2. International integrations and the European Union as a semifinished gravitational core

While bilateral agreements may be formed between any two countries, geopolitical orientation refers to the disproportionate emphasis on a country's political and economic relations toward one certain civilizational core vis-à-vis other core countries. Particularly, the countries may enter **(a) international alliances**, like in the case of a military alliance

[237] Way, *Pluralism by Default*, 46.

[238] Way, 94. Also, see Roper, "Post-Soviet Moldova's National Identity and Foreign Policy."

[239] Kurth, "The United States as a Civilizational Leader."

[240] Adler, "Europe as a Civilizational Community of Practice."

[241] Levitsky and Way, *Competitive Authoritarianism*, 38–54.

when the parties sign a treaty to defend each other's territory (e.g., NATO), and/or **(b) international integrations**, which means that the countries in question unify certain regulations or practices, pooling their sovereignty and beginning to function, to the extent of some concrete issues, as if they were one state.[242] Focusing now on such integrations, they **may be analyzed by three aspects:**

- **the depth of integration**, which means the range of issues in which the respective countries function as one state. Based on Béla Balassa's classical typology,[243] levels of integration can be distinguished as successive interpretive layers [→ 2.4]: (a) free trade area, which refers to the abolition of tariffs between the member states; (b) customs union, which adds uniform external tariffs and free movement of goods and services among the members; (c) common market, which adds the free movement of labor and capital; (d) single market, which adds the removal of non-tariff barriers and the harmonization of economic policy; (e) economic union, which adds common currency and the integration of economic policy; and (d) political union, which adds transfer of political power and legislation to the community level;[244]
- **the diversity of regimes involved in the integration**, which is an indicator of the integration's cohesion. For different ruling elites of different regimes function by different principles, represent different general-policy preferences (public, power or patronal policy) and take part in the integration on different grounds, with different—short and/or long term—objectives;
- **the integration's defensive mechanisms**, which refer to the processes that prevent or contain destructive tendencies so they do not lead to the destruction of the integration's essence [→ 4.4]. In other words, defensive mechanisms are the means at the disposal of the organization that embodies the integration to "discipline" the member states, to make them obey the integration's rules and dissuade them from disrupting the integration's cohesion.

Indeed, one of the principal functions of the defensive mechanisms would be to maintain **homogeneity in terms of the members' regime-specific features**. The cohesion of integration does not require every member to have the same country-specific and policy-specific features. The participating governments do not have to share policy preferences; they only have to be able to reconcile their interests, to be on the same page about the role of formal policy and informal norms and influences. Similarly, it is not required to have the same country-specific features, like—in case of liberal democracies—the same kind of welfare state or the same pattern of democratic institutions,[245] but to respect the community's basic

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242 For an overview of related theories, see Reus-Smit and Snidal, *The Oxford Handbook of International Relations*.

243 Balassa, *The Theory of Economic Integration*.

244 Palánkai, *Az európai integráció gazdaságtana* [The economics of European integration], 20–21.

245 We do not elaborate on the varieties of welfare states and liberal democracies, as they are relevant mainly to the West and not the post-communist region [→ 2.3.2]. Existing literature on these varieties is almost limitless; for already cited examples, see Arts and Gelissen, "Models of the Welfare State"; Lijphart,

values—to be in essence a liberal democracy.[246] Naturally, the salience of this issue depends on the depth of integration, and regime homogeneity *per se* is by no means a guarantee of the integration's cohesion. Yet **regime heterogeneity is a primary threat to cohesion**, as ruling elites of different types will conceive of the goals of the integration differently and will not be on a common ground to maintain and preserve its fundamentals in one certain way.

International integrations around the civilizational core state of Russia include the Commonwealth of Independent States (CIS), the Eurasian Customs Union (EACU) and the EAEU. These integrations are **stable because they are shallow and/or feature regime homogeneity**. While CIS would theoretically be a force to integrate post-Soviet countries, less than 10% of the thousands of documents and resolutions adopted by its bodies have actually been ratified by the member states.[247] The EACU is a customs union and the EAEU is a single market, both of which involve deeper integration but also regime homogeneity. True, some of the members are patronal democracies (Armenia and Kyrgyzstan) while others, patronal autocracies (Belarus, Kazakhstan and Russia). But all of them are patronal regimes, meaning their agreements have to be reached between patronal leaders. Members of an economic integration, the patrons conclude family businesses without broaching human rights or the infringement of democratic values. The members are compatible as they are standing on the common ground of patronalism and ideology-applying populism [→ 4.2.3, 6.4.1]. Yet, as we mentioned above, the smaller members fear Russia's excessive power in these integrations and do not wish to develop the EAEU's single market into a political union, and frictions are more than possible between chief patrons that are interested in promoting the interests of their own adopted political family and not solidarity toward other members of the integration. Once again, regime heterogeneity is a threat to cohesion but the inverse statement is not true: regime homogeneity is not a guarantee of cohesion. It only means that the integration avoids one element that would guarantee discord, namely regime heterogeneity.

The autocracy promotion of Russia can be understood as a defensive mechanism, for it means precisely that the leading force of the integration actively tries to prevent the development of regime heterogeneity [→ 7.4.3.2]. On the other hand, **democracy promotion by the United States is both (a) a disruptive force when it targets regime-homogenous integrations of autocracies and (b) a defensive force when it targets regime-heterogeneous integrations of democracies**.[248] However, when it comes to the post-communist countries of Central-Eastern Europe, their political and economic integration into the Western civilizational bloc has been the task of the **European Union. Built on the foundations of liberal democracy and market economy**,[249] the EU is an international integration, which we, however, called above a "semifinished gravitational core." The EU features numerous **structural-design flaws** that make it unable to anchor countries in the Western civilizational bloc and also put its own internal cohesion at risk.

Patterns of Democracy.

246 Tavares, "Draft Report on the Situation of Fundamental Rights."

247 Krickovic, "Imperial Nostalgia or Prudent Geopolitics?," 506.

248 Nodia, "External Influence and Democratization"; Carothers, "Democracy Aid at 25."

249 Devuyst, "The Constitutional and Lisbon Treaties."

Table 7.6. The disparate logic of EU and U.S. sanctions.

	EU sanctions	U.S. sanctions
launch of sanction proceedings	bureaucratic, cumbersome, may be subject to political bargaining;	partly based on political considerations, but the reporting obligation of the companies approached entails the mandatory launch of proceedings;
suspension of sanction proceedings	may be subject to political bargaining;	the proceedings cannot be suspended; once they are launched, they are no longer within the reach of political bargaining;
targets of sanction proceedings	institutions committing the presumed infringements, making the link between the perpetrator and the crime more difficult to personify and communicate;	persons committing the presumed infringements, allowing the personification of narratives;
underlying message of the selection of targets	it does not address the matter of personal liability, enabling the mafia state's patronal servants to continue taking part in operating unlawful mechanisms; the chief patron still has the unscathed capacity to maintain krysha;	erosion of the integrity of the adopted political family and the protection provided by the chief patron, dissuading the mafia state's patronal servants from participating in infringing procedures;
criticism horizon of the sanctions	target the government	target the regime

First, **the EU is a deep but fractured integration**.[250] On the one hand, every member state is involved in a single market and even some sovereignty concerning legislation is pooled, making it a partial political union. On the other hand, it lacks a coherent economic union, for only some of its countries share a common currency (EUR, in the Eurozone) while not even their economic policies are unified in terms of fiscal policy.[251] Second, **the EU features regime heterogeneity**. Among EU-member states, a majority of Western liberal democracies is accompanied by a conservative autocratic attempt (Poland [→ 7.3.3.2]), a patronal democratic attempt (the Czech Republic [→ 7.3.3.3]), patronal democracies (Bulgaria and Romania [→ 7.3.2.3]) and a patronal autocracy (Hungary [→ 7.3.3.4]). From these regimes, **patronal autocracy is the most subversive for it is incompatible** with Western members, as well as **with the EU's political foundations (liberal democracy) and economic foundations (market economy)**. In contrast, the conservative autocratic attempt of Poland is subversive mainly because it is incompatible politically, whereas the patronal democracies and the Czech attempt represent primarily economic incompatibility.

Third, **the EU lacks effective defensive mechanisms** that would foster regime homogeneity.[252] To underline this, **it is worth looking at the disparate logic of EU and U.S. sanctions**, their underlying assumptions and mechanisms of action (Table 7.6). **EU sanctions**

250 For a detailed account of the European Union, see Jones, Menon, and Weatherill, *The Oxford Handbook of the European Union*.

251 Bajnai, "From Economic to Political Crisis."

252 Scheppele, "Making Infringement Procedures More Effective."

are mainly applied in two areas. One avenue for taking action in a more broadly interpreted European context is the European Court of Human Rights located in Strasbourg and operating in the context of the Council of Europe, while the other consists of sanctions applied specifically by the EU. The former can be sought out in individual cases once all national judicial options have been exhausted. In these cases however, the institution of *actio popularis* cannot be applied, in other words the court's case law only allows for entities other than the victim of the state infringement to seek the court in a very small number of scenarios. This means that the victims of a national law violating European norms have to seek out the court individually and, taking into account the national-level procedure, the process may stretch on for several years. The underlying assumption of the procedure is that the demonstrated effects of individual cases will compel the affected national institutions and authorities to implement broader changes while also compensating the injured party. This, however, only works if the violation of internationally endorsed norms is not the result of a conscious government effort, that is, if it is not stemming from the incompatibility of the integration's liberal democratic foundations and the regime's patronal ruling elite.

The other main mechanism, the EU's set of tools (EU sanctions in the strict sense), consist of **restricting or suspending member state funding**. Minor breaches are addressed by the European Union with an infringement procedure, which consists of the European Commission examining the breach committed by the member state, and if it considers the outcome of its discussion proceedings unsatisfactory, it can refer the case to the European Court of Justice based in Luxembourg. As a last resort, the affected member state may face financial sanctions imposed by the court. The other tool frequently applied by the European Union addresses the contentious utilization of **EU funding,** and consists of the **suspension, non-payment or claim for the reimbursement of funding.** This, however, is restricted by various foreign policy considerations. Thus, so far, despite the broad-ranging symptoms of corruption, these have only been applied to a fraction of EU funds.

These EU sanctions are akin to the military tactic of carpet-bombing, where the victims are mostly civilians. The underlying logic of these sanctions is that the suspension or withdrawal of funding will prevent key developments for citizens from being completed, resulting in growing dissatisfaction; governments will strive to avoid losing popularity, and will thus change their policies, avoiding the need for further sanctions.[253] Brussels imagines these events as being part of the democratic learning curve, where those doing the learning (the regimes of member states) are themselves interested in passing the exam. But the reality is starkly different. More severe sanctions are restrained by numerous political and bureaucratic factors; and even if a procedure is launched, **it is aimed against impersonal institutions, allowing the government to avert any direct responsibility**. It even seizes the opportunity to interpret the events in the context of its national freedom fight and to portray populists as the victim, in order to foster anti-EU sentiments [→ 4.2.3].

External constraints are, by nature, passive: they are not active policy-shapers, and are at most the signposts of policies violating democratic values or voluntarist economic actions. **The EU, assuming a fundamental community of values, builds on the mechanism of warnings, and thus persuasion.** Indeed, both types of sanctions share the common trait of only wielding the power of persuasion to address the contested actions (such

[253] Sedelmeier, "Political Safeguards against Democratic Backsliding in the EU."

as corruption), to spur the self-protecting mechanisms of democracy into action, led by the judicial system. But this is a futile expectation when dealing with a regime where the community of values is lacking. International organizations are easily ensnared in the usual trap of action against the dictatorships, with sanctions dealing a heavy blow to citizens while leaving the political regime unscathed. Moreover, external warnings and sanctions also risk prompting those holding the power to turn even more to unlawful, coercive measures to maintain equilibrium, and are able to mobilize their followers in the name of "national self-defense."

As the most conspicuous of **U.S. sanctions**, in October 2014 a right-wing daily reported that members of the Hungarian government had been listed among the persons denied travel visas by U.S. authorities, pursuant to Presidential Proclamation 7750 To Suspend Entry as Immigrants or Nonimmigrants of Persons Engaged in or Benefiting from Corruption.[254] A few days later, the president of the National Tax and Customs Administration (NAV) Ildikó Vida publicly announced that she was one of the officials affected. The grounds for her banning were, according to Jancsics, that "two independent sources claim that protagonists linked to the Hungarian government claimed kickbacks from two American firms in exchange for a tax break and a change in the VAT rate. The kickbacks would have been channeled through a foundation linked to the government in the form of orders for research and study work, allegedly in the amount of roughly 2 billion Hungarian forints (ca. 6 million EUR). Under the offer, the tax authority would have also allegedly imposed hefty fines in the ballpark of millions of euros on the rivals of the implicated companies, substantially weakening competition and putting the U.S. firms at a great competitive advantage. As the blackmailed firms failed to yield to the offer, the tax authority started pressuring them, and the firms ended up reporting the bribery attempts. The fact that the top NAV officials are on the U.S. ban list corroborates this version [of event]."[255] But as the U.S. authorities did not initiate criminal proceedings, merely issuing an administrative decision barring entry to the U.S., the details of the case cannot be ascertained.

Compared to the EU's carpet-bombing practice, U.S. sanctions are more similar to guided missiles, presuming that infringements are not *ad hoc*, dispersed acts of corruption committed against the regime, but conversely, actions centrally orchestrated or at least endorsed by the regime. Accordingly, **they do not presume that the self-correcting methods of democracy will resolve the situation, and instead target the initiators of the infringements**, attempting to penalize the breaches and the perpetrators of corruption with laser-like accuracy. So despite the government's attempts, it is difficult to portray these actions propagandistically against the U.S., as they do not impinge on the interests of the respective country's citizens, instead reinforcing their dim view of their country's political leaders.

The U.S. sanctions strike the mafia state's Achilles' heel: **they overrule the chief patron's krysha** [→ 3.6.3.1]. The essence of the mafia state consists of the adopted political family protecting the executors of the infringements, endorsed or even ordered by the patron's court, positioned at the various public organizations. Without this capacity, the mafia state would not be able to use the tools of public authority for illegal coercion. The

[254] "Amerikai cégek ellen vizsgálódik a NAV" [The National Tax Office investigates American companies].

[255] Jancsics, "A rejtélyes 7750: Diszkrét és drasztikus" [The mysterious 7750: Discrete and drastic].

fragility and constraints of this protection and immunity are reflected in the denial of visas and in the potential freezing of foreign bank accounts.

Therefore, the U.S. has the means to exert global influence, either as a policy of democracy promotion stemming from the U.S. representing a core country of civilization or as a deliberate attack to weaken a potentially subversive patronal regime. In contrast, **in the European Union even the implementation of existing defenses is restricted by the EU's sluggishness** in creating institutions and procedures. As it is increasing pressure in the wake of some government's measures chipping away at democracy, it is apparent how limited the EU's tools for restoring democratic norms are.[256] It is forced into debates on specific topics, while struggling in vain to legitimately criticize the broader autocratic context. **As opposed to patronal regimes outside the EU, post-communist member states cannot be treated as "them"—they have to be treated as one of "us,"** which disarms EU bodies at their very starting point. In the end, the EU lacks the tools for addressing the newcomer states' behavior, which some authors have described as "post-accession hooliganism."[257] Meanwhile, regimes like Orbán's patronal autocracy adroitly implement a few corrections for show, but the regime-specific features of patronalism remain unchanged.[258]

Patronal autocracies are naturally subversive in a community of liberal democracies also **because they feature criminal states** [→ 2.4]. The patron's court and clients in the single-pyramid patronal network commit acts that are regarded as crimes even according to their own laws [→ 4.3.4.3], which is precisely the reason legal-control mechanisms like prosecution are neutralized [→ 4.3.5]. However, unlike a traditional mafia, for which it is enough to circumvent the controls of the surrounding state, **a criminal state must ensure impunity on the international scene** as well. One way to achieve this is to use the populist narrative and appeal to national sovereignty in a "national freedom fight."[259] Indeed, a patronal regime's demand for national sovereignty is none other than a criminal's demand for impunity—the demand to be left alone to steal, free of supervision from the EU and Western taxpayers [→ 4.2.3]. On the other hand, Orbán has also attempted to **exploit one of EU's structural flaws: the number of veto powers in EU decision-making**. Just like the Republic of Nobles in Poland in the 17–18th centuries, where the nobility's *liberum veto* led twice to the mutilation and—eventually—partition of Poland among neighboring powers, the EU's system of vetoes can be exploited by **blackmailing alliances of member states** that can stop EU integration as well as any steps that could possibly break a mafia state's impunity. Orbán has attempted to make such alliances with the Visegrád countries (Poland, the Czech Republic and Slovakia) and later, with Western populists—for now, with less than more success.[260]

Nevertheless, beyond the interest-neutral bureaucratic hurdle, actual opposing interests also prevent an effective response to disruptive regimes: (1) the "dirty party solidarity," characteristic of both the political right and left; (2) coalition-related interests within the EU; (3) conflict-minimization efforts in an attempt to protect the economic interests op-

256 Bozóki and Hegedűs, "An Externally Constrained Hybrid Regime."

257 Ganev, "Post-Accession Hooliganism."

258 Vörös, "Hungary's Constitutional Evolution During the Last 25 Years."

259 Ablonczy, "General Narrative."

260 Magyar and Madlovics, "Hungary's Mafia State Fights for Impunity."

erating in the criticized countries [→ 7.4.5]; and (4) broader geopolitical considerations.[261] Indeed, the EU's geopolitical considerations cannot allow the Russian civilizational bloc to spread to the Leitha, that is, to the Western borders of Hungary. The political elite of Western Europe, abandoning its romantic faith and original mission that accompanied the fall of the Berlin Wall, now increasingly regards the lagging part of Eastern Europe less as a cultural partner, and more as an economic zone of influence. Thus, solidarity with Eastern Europe and the policy of convergence might be replaced by a policy of simple pacification. Instead of consolidating democracies in this buffer zone at a high cost, they will pacify patronal regimes at a minimal cost.

Finally, **it is worth revisiting Levitsky and Way's theory about Western linkage and leverage in light of our discussion**. Using our terms, we may sum up the two scholars' argument as follows: international communities, alliances and integrations naturally tend toward regime homogeneity, both because of their core states' conscious efforts (leverage) and as a result of the high number of economic, intergovernmental, technocratic, social, information and civil-society ties (linkage).[262] As the authors write, "the EU and the United States were effectively the 'only game in town'" for the countries of Eastern Europe, "which heightened the vulnerability of those countries to Western democratizing pressure."[263] They dispute critics who are skeptical about the EU's impact on Eastern countries' functioning, and claim that "[in] terms of the *core elements of democracy* […] EU conditionality was remarkably effective" (emphasis in original).[264]

On the one hand, a common objection that is usually brought up is that, **while EU conditionality is effective before a country enters the integration, it has no effect after its accession**. This is what post-accession hooliganism means: patronal ruling elites do much to get on the EU's gravy train, that is, to meet the Copenhagen criteria of accession to enjoy all the benefits of the common market and rents from the EU's structural and cohesion funds [→ 7.4.6.2]. But as soon as they are entitled to the benefits as members, they feel free to disregard community standards and continue working in their patronal ways, knowing the sluggishness of the EU's reaction and also that it may punish not the perpetrators but the country in general. Indeed, the EU is equipped to address *ad hoc* violations of the common European values through mediation, persuasion or judicial avenues, while it lacks the tools to counterbalance systemic divergences from liberal democracy. For it was built on the implicit assumption that the countries that have been admitted to the club will not act up, or at least not frequently. Indeed, official observers still tend to regard systemic divergences as transitory "teething problems:" there is a stubborn perception that an EU member state would not go astray, being a formal member of the Western civilizational bloc.[265]

On the other hand, we may bring in a new refinement that stems from our conceptual framework. Namely, **the strength of the regime-homogenizing effect of Western linkage and leverage depends on whether the country had undergone anti-patronal**

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[261] Ara-Kovács, "Diplomacy of the Orbán Regime."

[262] Levitsky and Way, *Competitive Authoritarianism*, 43–44.

[263] Levitsky and Way, *Competitive Authoritarianism*, 42.

[264] Levitsky and Way, *Competitive Authoritarianism*, 90.

[265] This is probably related to the fact that recognizing a member of the Western bloc as an autocracy would imply a compulsion to act, which Western core countries are either unable or unwilling to do.

transformation before it entered the EU. As we explained above, a dual-level approach to pattern changes differentiates the level of impersonal institutions and personal networks. "Democratic" and "anti-democratic transformation" refers to the former and "patronal" and "anti-patronal transformation," to the latter level, whereas both levels can change independently (single-level transformation) or together (dual-level transformation) [→ 7.3.4.1]. Levitsky and Way correctly state that EU conditionality for prospective member states was effective on the level of impersonal institutions—that is, in democratic transformations—but its effect on personal networks was dubious at best. Generally, we can say that **in cases of dual-level transformation**, when the changes on the level of impersonal institutions is accompanied by anti-patronal transformation, **we can speak about regime-homogenization** and *de facto* integration into the Western civilizational bloc. However, **when only single-level transformations took place**, democratic transformation only meant the development of an institutional façade. In these cases, **the effect of Western linkage and leverage was not genuine democratization but camouflage** [→ 6.5]. The ruling elites in these regimes realized that a country does not have to be a liberal democracy, only to look as if it were—at least to Western observers, who are accustomed to a single-level approach [→ 7.3.4.1]. Hungary is probably the best example for this. Orbán has built and operated a single-pyramid patronal network among the neutralized institutions of public deliberation [→ 4.3] while he has also been performing a "peacock dance" (as he himself called his approach) of appeasing his critics with cosmetic changes and consistently denying in EU forums that he violates EU principles.[266] A related practice of maintaining the public image of democracy is **reputation laundering**, when patronal actors manage international spotlight and influence public discussion through public-relations firms, hired lobbyists and think tanks.[267] Hungary has also calculated statistical data differently from EU standards, which has been the source of debate between the two entities' statistical offices (particularly on the issue of public debt).[268] Using such means, patronal regimes of the EU have kept up sophisticated systems of camouflage, with seemingly democratic institutions that are actually operated by informal patronal networks.

Most sovereignty that is pooled in the EU is related to policy-specific issues, such as uniformization of formal regulatory frameworks and barriers to the international movement of goods, capital, services and labor. This is well suited to an integration of liberal democracies, where political actors differ in their policy preferences but not their regime preferences. Yet this approach is inappropriate for different types of ruling elites, whose actual nature also stems from the level of personal networks (informal patronal networks) and not from formal rules and regulations. **The only regime-level limit the EU sets is related to the protection of personal freedoms**, through the judgments of the European Court of Human Rights (ECHR) and the Court of Justice of the European Union (CJEU).[269]

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[266] Kingsley, "As West Fears the Rise of Autocrats, Hungary Shows What's Possible."

[267] Cooley, Heathershaw, and Sharman, "Laundering Cash, Whitewashing Reputations," 44–49. We used the opposite term for reputation laundering, "reputation dirtying" before with respect to predation [→ 5.5.4.1]. For the example of Hungary, see Kőműves, "Government of Hungary Spent a Total of $3.54 Million on Lobbying Washington in 2018."

[268] Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 229.

[269] Bozóki and Hegedűs, "An Externally Constrained Hybrid Regime," 1178–83.

This partially prevents patronal member states from degrading their citizens into servants [→ 3.5.1], **causing a liberal deformation in patronal democracies and autocracies**. That is, personal liberties like the freedom of speech, movement and the freedom from physical assault are better guaranteed (while politicial liberties are not), as it is obvious from international democracy indices as well.[270]

However, a patronal regime is characterized by a dominance of informal institutions. If personal freedoms cannot be formally curtailed because the regimes obey the rulings of EU courts, **the leading informal patronal network only has to find a workaround**: they have to find different means to realize elite interest, that is, the twin goals of power concentration and personal-wealth accumulation [→ 2.3.1]. Within the EU, patronal regimes are forced to express their intentions and justify their actions in the language of democracy. This restricts the formal arsenal of patronal actors, but they can still use the remaining formal institutions by informal intentions, changing regulations or applying them in such a custom-tailored mix that will eventually lead to the realization of elite interest [→ 4.3.4.2, 5.5.4]. At the same time, many actual breaches of EU law not related to personal freedoms, such as channeling transfers from EU funds to the adopted political family [→ 5.3.3.3] are not prosecuted or only ineffectively, because of the above-explained weaknesses of the EU's defensive mechanisms. Practically, in terms of regime-specific features, **Orbán achieves the same as Putin, while Romania achieves the same as Kyrgyzstan—only there is more paperwork**. While such constraints can be seen as a nuisance, they paradoxically contribute to regime stability, as ordinary people feel in their everyday lives less oppressed [→ 6.3], and even those who are dissatisfied are free to leave the country [→ 6.2.2.1].

A semifinished civilizational gravitational core, the European Union faces the dilemma of whether it should represent a *political* pull to Western civilization or only an *economic* one. Simply put, **the EU's institutions could represent a community of values or a community of interests**. But lacking adequate means to anchor its member states to the Western civilization, the EU cannot be a community of values: indeed, **there is little common ground between committed liberal democracies and patronal regimes that operate in the EU as rent seekers**. In addition, the existing problems of the EU weaken its attractiveness and gravitational pull, whereas the Orthodox civilizational gravitational field—where Russia also actively tries to undermine the West [→ 7.4.3.2]—exerts influence on post-communist member states of the EU. Indeed, the two civilizational fields have an opposing focus: **the EU targets the level of impersonal institutions, while Russia targets the level of personal networks**. That is, Putin actively tries to tie local ruling elites into his patronal network,[271] whereas top patrons in Central-Eastern Europe and the Balkans also seek Putin's help in legal and illegal services.[272] Needless to say, he is not interested in formal institutional change or the quality of democracy in target countries—that is the concern of the EU, which makes its objections about the inadequacy of impersonal rules to prevent the "deviance" of corruption in "fundamentally democratic" countries. Not

[270] Benedek, "De-demokratizáció Magyarországon a demokráciaindexek fényében [De-democratization in Hungary in the light of democracy indices]."

[271] Shentov, Stefanov, and Vladimirov, *The Russian Economic Grip on Central and Eastern Europe*.

[272] Deák,"Captured by Power: The Expansion of the Paks Nuclear Power Plant"; Chayes, "The Structure of Corruption," 519–23; Stoyanov, Gerganov, and Yalamov, "State Capture Assessment Diagnostics."

recognizing the systemic nature of corruption as well as of Russia's influence on patronal networks, or seeing them all as isolated "defects" makes the EU vulnerable to its members' co-optation into the Orthodox civilizational gravitational field.[273]

Up to a point, changes in the integration to increase the cohesion of the EU can be avoided by creating interest communities between the Western and Eastern members, like the way Germany protects Hungary as long as Orbán supports German multinationals with tax cuts. But eventually, the EU shall either (a) opt for a two-speed Europe, where the "unruly" are left in a buffer zone between the Western and Russian gravitational fields, leaving them out of a deeper integration of the Western member states (probably Eurozone members),[274] or (b) shift towards a federal Europe, substantially expanding the scope of community legislation. However, this would require European citizens to harbor equal feelings of national and European identity.

7.4.5. Dependence of Capitalism and the Global Connections of Local Patronal Networks

Political integrations often start from strong **economic linkages**, which are in turn crucial elements of every international integration. During the Cold War, the United States and the Western civilizational bloc in general represented capitalism vis-à-vis communism. Accordingly, countries of the Western bloc embraced the idea of free trade, and thus strong transnational corporations (TNCs) emerged in the 20th century.[275] After the collapse of the Soviet Union, **post-communist countries that opted for Western integration soon became entangled in global trade**, much more so than countries that remained in the gravitational field of Orthodox civilization.

Daniel Gros offers an overview of the development of economic linkages in the post-communist region, comparing post-communist member states of the EU and CIS countries.[276] From his analysis, we may mention three telling facts. First, **Western-oriented countries entered international trade agreements much earlier** than CIS countries. Bilateral agreements between the EU and the transition economies of Central-Eastern Europe started forming as soon as 1991, while the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia became members of the World Trade Organization (WTO), committed to liberalize international trade, in 1995. In contrast, among CIS countries the free-trade framework offered by the WTO was accepted only by Kyrgyzstan before 2000, while it was not until 2012 that Russia entered; Tajikistan did in 2013, Kazakhstan in 2015 and Azerbaijan, Belarus, and Uzbekistan retain an observer status (as of 2019).[277] Second,

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273 On the co-optation of Orbán under the cover-ideology of "Eastern opening," see Magyar, *Post-Communist Mafia State*, 277–83.

274 Macron and Gabriel, "Europe Cannot Wait Any Longer."

275 Greer and Singh, "A Brief History of Transnational Corporations."

276 Gros, "From Transition to Integration." In this part, we focus on Central Europe and post-Soviet countries. On China, see Wei, Xie, and Zhang, "From 'Made in China' to 'Innovated in China.'"

277 Gros, "From Transition to Integration," 235–37; "WTO Members and Observers."

EU member states are more integrated in the international division of labor. Gros cites statistical data about the percentage of domestic value added contained in the country's exports, showing how much of the production chains of a country's products are contained within the country's borders. By these terms, "Russia occupies an extreme position, with more than 90 percent of the value added contained in exports produced locally. This figure is to be expected, given that raw materials dominate Russia's exports. At the other extreme are transition economies from Central Europe that are well integrated into 'factory Europe.' Among these countries only a little more than half of the gross value of exports consists of domestic value added," which at the same time do not originate from natural resources.[278] Third and closely related, **foreign direct investment (FDI) has been central to the development of Western-oriented post-communist countries**. Gros explains that FDI introduced during and after regime-changing privatization [→ 5.5.2] brought in know-how and capital and combined it with relatively good human capital available in the region, becoming unavoidable actors in local economies.[279] To be more precise, Béla Greskovits and Dorothee Bohle point out that FDI in the Visegrád countries and Slovenia flowed mainly into complex manufacturing sectors, boosting export competitiveness but also putting a stress on local governments to offer generous incentive packages to investors (tax cuts, favorable regulations etc.). In contrast, the Baltic states "benefitted from an increasing inflow of FDI into their banking, real estate, and construction sectors, which allowed for credit-fueled growth of the economy."[280] Comparatively, CIS countries received much less FDI than prospective EU-member states in the 1990s, whereas the increasing FDI inflow in the 2000s was mainly into mining and exploration, related to these countries' natural endowments [→ 7.4.6.1].[281]

This leads us to **the analytical dimension of international economic dependence**. Naturally, as soon as countries start trading, taking loans from each other and from international organizations like the IMF, and companies grow multinational in size, no nation in the world can be deemed economically fully autonomous.[282] Yet statistics such as the share of (a) international lenders in public debt, (b) foreign producers in domestic GDP or (c) exports in domestic GDP may help us determine the level of dependence of a national economy on a quantitative scale.[283] Qualitatively, we may distinguish, for the purpose of analyzing the post-communist region, two types of dependence:

- **FDI dependence**, which refers to the fundamental role of foreign direct investment and TNCs in an economy. A more precise analysis has been laid out by the proponents of the varieties of capitalism paradigm [→ 5.6], suggesting that FDI-dependent countries in Central Europe share characteristic features like the dependence of local enterprises on intrafirm hierarchies within TNCs, FDI and foreign-owned

[278] Gros, "From Transition to Integration," 242.

[279] Gros, "From Transition to Integration," 244.

[280] Bohle and Greskovits, *Capitalist Diversity on Europe's Periphery*, 82–95.

[281] Gros, "From Transition to Integration," 244; Kalyuzhnova and Patterson, "Kazakhstan."

[282] For an overview, see Martin, *The Oxford Handbook of the Political Economy of International Trade*.

[283] Huang and Słomczyński, "The Dimensionality and Measurement of Economic Dependency"; Chase-Dunn, "The Effects of International Economic Dependence on Development and Inequality."

banks as the primary means of raising investments, corporate governance controlled by headquarters of TNCs, and the reliance on the competitive advantage of being "assembly platforms" for semi-standardized industrial goods;[284]

- **export dependence**, which refers to the fundamental role of export revenues to the stability of the domestic economy in general and to the balance of the budget in particular. Typically, **a country that is FDI-dependent is also export-dependent**, especially if TNCs operate the above-mentioned assembly platforms that produce predominantly for foreign markets. However, **a country can be export-dependent without being FDI-dependent**. The prime examples in the post-communist region can be found among CIS countries. In 2014, the share of oil and gas revenues in total exports was 92% in Azerbaijan, 77% in Kazakhstan, 56% in Russia and 91% in Turkmenistan,[285] while the revenues from these two natural resources have played a fundamental role in maintaining budget balance and GDP growth in these countries.[286]

Just as in the case of political linkages, economic dependence does not have an obvious regime-homogenizing effect. Rather, **dependence can be both a regime-stabilizing and regime-disrupting element**. The two types of dependence have different effects—and even within one type one can observe varieties. Particularly, **export dependence without FDI dependence can be regime stabilizing if it creates asymmetric interdependence**, as explained above with respect to Russia's Gazprom diplomacy [→ 7.4.3.2]. In this case, the country gains blackmailing power and can use its leverage in international negotiations, fortifying the regime and the realization of the interests of its rulers. True, securing a substantial share of revenues from foreign countries also means exposure to their solvency, that is, the state of the economies of the trading partners, as well as the price of the exported good in the world market. However, a recent study on Russia found that positive oil price shocks increased corruption and decreased democracy—that is, they contribute to the stable functioning of patronal autocracy—but negative oil price shocks did not affect institutional quality, only decreased income.[287] Although decreasing revenue is certain, this occasional effect of export dependence does not have a clear regime-disrupting effect for patronal autocracy. Indeed, the depletion of resources may even lead to the increase of state-led coercion counterbalancing the economic problems, as we could see in the rise of Russian military interventions in the wake of decreasing oil prices. Overall, export dependence is a regime-stabilizing element in Russia, which also has an exceptional place in the world's oil system.[288]

FDI dependence implies the presence of autonomous major entrepreneurs in the economy [→ 3.4.1.2]. This has a serious **regime-disrupting potential** for a single-pyramid patronal network, given autocratic consolidation depends precisely on breaking, as one of

284 Nölke and Vliegenthart, "Enlarging the Varieties of Capitalism."

285 Kalyuzhnova and Patterson, "Kazakhstan," 99.

286 Paczyński, "The Resource Wealth Burden."

287 Zakharov, "Asymmetric Oil Price Shocks, Tax Revenues, and the Resource Curse."

288 For a more detailed analysis, see Barnes, "Russia's Potential Role in the World Oil System."

the four autonomies of civil society, the autonomy of entrepreneurs as well [→ 4.4.1.3]. **The chief patron** can neutralize this threat in the following ways. First, he **may attempt to crowd out or take over the companies** by various means of discretional state intervention, decreasing the country's FDI dependence in general. In the FDI-dependent patronal autocracy of Hungary, several attacks in that manner could be observed with regulatory changes and sectoral and discretional taxes in the banking, telecommunications and energy sectors.[289] Yet in many cases, foreign companies are unsuitable to become prey because of their mobility and the potential economic damages their deteriorating performance, downsizing and mass layoffs in the hunting phase would inflict on the country [→ 5.5.4.1]. In these cases, the chief patron must **try to make TNCs counter-interested in regime change**. In other words, the means of the chief patron's neutralization attempt in this case becomes negotiation and cooptation, persuading foreign-based major entrepreneurs to stay out of domestic politics. Alternatively, foreign companies can be convinced not to support the opposition while supporting the leading political elite itself, either in the form of (a) economic favors, such as in the form of contracts with the adopted political family's companies, or (b) political favors, such as placing advertisements in patronal media while not placing them in opposition media.[290]

The factors that make TNCs counter-interested can be instinctive or induced. As for instinctive factors, **foreign companies and investors are uninterested in any fundamental change that would put their profitability at risk**. They may perceive change to be perilous because of (a) the lack of a strong opposition that is perceived as credible and able to govern (that is, it will not create a more chaotic environment), or (b) the threat of losing existing cooperation with the adopted political family's companies, the status of which would become uncertain if a new government attempts to take them away or degrade them during extra-electoral restitution [→ 4.4.4].[291] On the other hand, the chief patron can actively induce counter-interest by **co-opting the TNCs**. In Hungary, which is the only post-communist country that is both FDI-dependent and a patronal autocracy (and an EU member), indomitable companies are offered formal strategic agreements: Audi, Coca-Cola, Daimler, GE, Microsoft, Richter, Samsung, Sanofi, Synergon, and so on.[292] Much of what these partners produce is not sold on Hungarian markets, and so it is impossible to dictate an appropriate profit through laws, but at the same time they give jobs to Hungarians and pay taxes on their wages. Then-state secretary Péter Szijjártó (currently serving as Minister of Foreign Affairs and Trade) gave a statement in 2013, saying that strategic agreements have "aroused the interest of corporations on account of the opportunity to regularly consult with government. This may give these companies a competitive edge

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289 Magyar, *Post-Communist Mafia State*, 161–72; Soós, "Tributes Paid through Special Taxes"; Király, "A magyar bankrendszer tulajdonosi struktúrájának átalakulása" [The changing ownership structure of the Hungarian banking system].

290 While data on private advertising contracts is not public, experts and investigative journalists in Hungary have been told that such requests for not advertising in opposition media did come up.

291 Indeed, FDI that wants to enter a relational economy may do it if it can agree with the adopted political family. See Chayes, "The Structure of Corruption," 521.

292 Bartha, "Politically Driven Policy-Making, Lobbying and Understanding the Role of Strategic Partnership Agreements from a Narrative Policy Framework Perspective."

within the corporate group when new sites for development are selected."[293] This statement speaks volumes. According to an investigative journalist, "[the] closer ties were initiated by the government on virtually each occasion, and most of the companies approached felt that this was an offer they could not refuse, or they would be left out of certain benefits, and perhaps even the axe of unorthodox legislation and tax regimes might descend on them. Word has it though, that in spite of this fear some companies were not afraid to show the government the door."[294] By the end of 2018, 79 strategic agreements had been signed by the Hungarian government, 75 with foreign investors and 4 with Hungarians.[295]

Beyond strategic agreements, direct financial support and changing existing regulations have also been used by Orbán to neutralize TNCs. Scheiring reports, "between 2004 and 2010, state subsidies to transnational companies amounted to HUF 127.3 billion [ca. 385 million EUR]. Compared to this, the value of state aid to multinational companies doubled between 2011 and 2018 (HUF 263.2 billion [ca. 797 million EUR]) […]. Much of the state support for transnational companies involved setting up assembly platforms, in 24 cases they supported service centers, and in only 12 cases they supported innovation-related R&D projects […]. Finally, the government has significantly increased the flexibility of the workforce and reduced its protection. At the same time as the new Labor Code was introduced in 2010, the government dismantled the existing tripartite interest reconciliation body and restructured the strike law to make it almost impossible for public sector unions to strike. […] In December 2018, the [government] again [amended] the Labor Code at the request of the companies […], as acknowledged in an interview by a government member […]. This time, the maximum number of overtime hours per person was increased from 250 to 400, or 20 percent of full-time work."[296]

Such changes have reached their goal of neutralization. According to the editor-in-chief of the Budapest Zeitung, 90% of German investors active in Hungary would vote for Orbán,[297] whereas the German leadership shields Orbán from both serious material sanctions and being expelled from their common European party group EPP.[298] While it is common to speak about the "German interest," this situation indeed shows a split identity: German companies are interested in supporting Orbán as long as he ensures a safe business environment and high profits, but the German taxpayers are hardly interested in a criminal state that uses rent-seeking and kleptocratic means to tap into EU funds from their tax monies. So far, the German government seems to bow to the short-term interests of the TNCs' lobbyists, upholding the criminal state's international impunity, while in the long run this also helps consolidate a regime that deconsolidates the EU itself.

In general, what can be said about the effect of **FDI dependence** of patronal autocracy is that it **increases the lobbying power of indomitable foreign enterprises**, who get much more say in policymaking than major economic actors in more closed regimes [→

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[293] Szíjjártó, Még több stratégiai megállapodás jöhet [More strategic agreements are to come].

[294] Erdélyi, "Milliárdos pályázatok csak stratégiai partnereknek" [Billion-forint tenders for strategic partners only].

[295] Scheiring, *Egy demokrácia halála* [How a democracy dies], 233.

[296] Scheiring, *Egy demokrácia halála* [How a democracy dies], 234–240.

[297] Book, "Deutsche Firmen in Osteuropa."

[298] Kelemen, "Europe's Other Democratic Deficit."

4.3.2.3]. Practically, foreign enterprises form and act as a business group, not unlike business groups in liberal democracy but completely unlike informal patronal networks [→ 5.4.2.3]. As foreign enterprises usually ask for deregulation and tax reliefs, commenters on the left tend to interpret this as an instance of neoliberalism, whereas the state itself, a neoliberal state which represents an alliance of authoritarianism and capitalism.[299] Yet two points must be made clear. First, neoliberalism is an ideology and therefore "neoliberal" as an adjective implies an ideology-driven actor [→ 6.4.1]. The chief patron, however, is not ideology driven but acts in accordance with elite interest, realizing power concentration and the accumulation of personal wealth [→ 2.3.2]. The introduction of policies that neoliberalism also advocates for is a favor done to foreign companies, in an attempt to co-opt and thus neutralize autonomous, non-clientage economic actors and consolidate the monopoly of political power of the adopted political family. This action follows from the logic of patronal autocracy and the model of the mafia state, which was developed by presuming not ideology but the principle of elite interest and deriving its logical consequences in the post-communist context of stubborn structures. Following this logic, there is nothing necessary about the "neoliberal" policy choices of the chief patron—if the autonomous actors he wants to appease requested a different kind of policy, he would introduce that. He is fortunate that depowering employees and taking away labor rights fits the general goal of creating a clientage society (which neoliberalism does not entail [→ 6.2.2.1]). The chief patron may even introduce policies that would otherwise not fit with elite interest. Tax cuts, for example, could mean that a source of distributable rent is scaled back [→ 7.4.6.4]. But even if this is the case, this is a small price to pay for co-opting indomitable actors, neutralizing even the potential of threathening the patronal order by their autonomy. This leads us to a more general point about the focus of these actors: **foreign economic actors focus on policy-specific features, whereas the chief patron focuses on regime-specific features**. On the one hand, the primary goal of an entrepreneur is to make a profit; he is interested in democracy and limited power only to the extent that it protects him and his business from arbitrary treatment by an unconstrained ruler. But if that ruler is a chief patron, and he has a clear interest in keeping his word, because he wants to maintain a good relationship with indomitable actors, he can also guarantee a safe and predictable environment—perhaps even more than a democratic ruler who has fewer means to intervene, has to balance between various interests, and is prone to removal after an election cycle.[300] On the other hand, the chief patron can easily offer changes in regulations he either supports or cares little about, in exchange for the neutralization or co-optation of actors, which he does care about. Hence, doing favors to indomitable TNCs is the result of a mutually beneficial trade, both parties exchanging what they value less for something they value more. Acting rationally by his presumed motivations in the mafia-state model, **the chief patron turns the initial regime-disrupting potential of FDI dependence into a regime-stabilizing element**.[301]

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[299] Gagyi and Gerőcs, "The Political Economy of Hungary's New 'Slave Law'"; Antal, *The Rise of Hungarian Populism*. Cf. Bruff, "The Rise of Authoritarian Neoliberalism."

[300] Iványi, "Vörös farok [Redwashing]."

[301] Indeed, Scheiring recognizes that "patrimonial relations become central accumulative strategies" in Hungary, whereas Attila Ágh, who calls Orbán's regime a "neoliberal-authoritarian hybrid," writes that

Up to this point, we have dealt with international relations between patronal regimes and formal economic actors. Yet **international embeddedness and dependence can be understood in the context of the global criminal ecosystem as well**, meaning the dependence of local patronal networks on informal and illegal foreign groups [→ 5.3.4.3]. Indeed, we have implicitly assumed throughout the book that informal patronal networks operate within the regime, that is, that their branches stop at the borders of the country. This assumption was necessary for clear modelling of ideal types, including patronalism itself and the ideal-type regimes that involve patronalism as a regime-specific feature. However, in reality these networks often grow transnational. As Chayes points out, "[the] national border between former President Viktor Yanukovych's network in Ukraine […] and the more powerful Russian networks with which it was entwined can hardly be said to have existed. Members of the new U.S. ruling coalition, including President Trump and his family and some close advisers […] were nodes in that network. In Moldova, too, the banking sector might be seen as a fully integrated element of Russian criminal networks, at least until early 2014. Kyrgyz drug trafficking networks clearly cross borders, and are especially implanted in Russia. Ties are reportedly just as strong between the governmental leadership in those two countries."[302]

Dependence in this context may be understood in three respects. Two we have already mentioned in Chapter 5: **(1) dependence on non-criminal states**, where property-rights protection and other institutions that ensure the separation of the spheres of social action protect the offshore fortunes of patrons; and **(2) dependence on private criminals**, who provide money laundering, shell-company domiciling, smuggling, illegal banking, reputation laundering and similar services to all comers, with no particular preference for, or entanglement with, a specific patronal network [→ 5.3.4.3]. According to Chayes, such firms include the Panamanian law firm Mossack Fonseca and lobbying firms such as Fabiani and Company, which is involved in reputation laundering.[303] Indeed, **(1) and (2) seem relatively stable** in the medium term. For national borders and markets are globally permeable, while law enforcement is globally fragmented. Simply put, **money is international while laws are not**.[304] Partial answers to this problem have included, to this date, international cooperation of law enforcement bodies (e.g., the Interpol) as well as laws such as the famous Magnitsky Act, which authorizes the United States government to sanction oligarchs and poligarchs in the criminal ecosystem via freezing their assets and/or banning them from entering the U.S. [→ 7.4.4.2].[305]

The element we have not discussed in this context is **(3) dependence on other criminal states**, which is particularly relevant in Russia with its imperial ambitions and the

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in Orbán's "mafia-like system" of informal institutions "political distribution is predominant, serving both the enrichment of the new ruling class and the construction and consolidation of political power." Apparently, both authors come close to accepting our conclusions, but they insist on using class analysis and a vocabulary that was developed by the critics of neoliberalism in the West, ultimately distorting their analyses. See, respectively, Scheiring, *Egy demokrácia halála* [How a democracy dies], 279; Ágh, "A rendszerváltás terhe [The burden of the regime change]," 162.

302 Chayes, "The Structure of Corruption," 519–20.

303 Chayes, "The Structure of Corruption," 520–21.

304 Bullough, *Moneyland*.

305 Knight, "The Magnitsky Affair."

constant strategy of tying foreign patronal networks to itself. This may take the form of formal intergovernmental treaties, like in the cases of supporting Belarus and Ukraine with sources of distributable rent[306] or Azerbaijan with weapon sales,[307] but even in those cases it is done by the discretional decision of the chief patron and with the aim of creating dependence. In other cases, the relation can be informal and maybe even two-way. Chayes writes about such interdependence between Russia and Plahotniuc's Moldova [→ 7.3.4.4], where the latter's network used Russian banks, which provided fictitious deposits to disguise Moldovan banks' disappearing capital, while the former has relied on Moldovan banks for money-laundering services.[308]

Finally, a country's position in the criminal ecosystem can be interpreted in the terms of **world-systems theory** as well. In the world-systems theory, the "core" refers to the countries where the benefits, and the "periphery," where the costs of the global division of labor concentrate.[309] While this theory analyzes formal and legal economic actors, we can move the focus to informal and illegal economic actors. Thus, we may say that **Russia**, which is a civilizational core state, is also **the core of a criminal ecosystem**. The **"periphery"** to this core consists of countries **where the core state's illegal deals are not with the main holders of political power** but rather happen against their will, typically in an occasional manner. In case of Russia, such countries may be the UK (London in particular) and France where corrupt deals like money laundering are concluded [→ 5.3.4.2]. In contrast, **"semi-periphery"** refers to countries **where the core state's illegal deals are with the main holders of political power**, **like a chief patron who therefore receives benefits and also enters in a patron-client relationship with the core state's chief patron**. Such country is Hungary, where through deals like the Paks nuclear power plant Orbán's adopted political family is tied into Putin's criminal ecosystem, in a semi-peripheral vassal position.[310]

7.4.6. Natural Resources and Other Sources of Distributable Rent

While patronal regimes ideal typically rely on top-down forms of corruption [→ 5.3.2.3], they show country-specific differences in where they get their money. By "money," we generally mean rent, or profit that is gained from the lack of competition resulting from formal or informal discretional treatment (i.e., corruption [→ 5.4.1]). Rents are essential, not only for personal-wealth accumulation but also for regime survival. For as long as loyalty is rewarded through rent distribution, members of the ruling elite have strong reasons to back the chief patron: they "derive their livelihood from remaining loyal to the regime, and thus have nearly as much to lose as the leader should political order collapse."[311]

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306 Pikulik, "Belarus, Russia, and Ukraine as Post-Soviet Rent-Seeking Regimes."

307 See Figure A.6 in Chayes, "The Structure of Corruption."

308 See Figures C.4–5 in Chayes.

309 For a seminal work, see Wallerstein, *World-Systems Analysis*.

310 Deák, "Captured by Power: The Expansion of the Paks Nuclear Power Plant."

311 Boutton, "Of Terrorism and Revenue," 364. Also, see Bratton and van de Walle, *Democratic Experiments*

The basic question with respect to rents is **what is at the regime's disposal: what kind of resources are available** that can be the subject of rent-seeking and later distributed within the adopted political family. Analytical dimensions by which sources of rent can be analyzed include:

- **lucrativeness**, which refers to profitability as well as the amount of rent that can be collected;
- **simplicity of rent collection**, which refers to both (a) the need of formal and informal infrastructure to make the resource profitable and the continuity of rent flow to the patronal network, and (b) the need to disable control mechanisms that may exist to prevent rent collection;
- **natural longevity**, which refers to the period until the given resource is able to provide rent apart from shocks (i.e., unexpected and unpredictable events);
- **dependence on the regime's functioning**, which refers to the need for the regime's active involvement to keep the resource lucrative and/or available to the patronal network.

In the following sections, we analyze different sources of distributable rent by these four dimensions. What sources of rent are available for a patronal network is influenced by the country's geographical position, as well as its international political and economic linkages. While there may be many different potential sources, we are going to analyze the four most important ones in the post-communist region: natural resources, international transfers, booty companies and banks, and the state budget.

7.4.6.1. Oil and natural gas

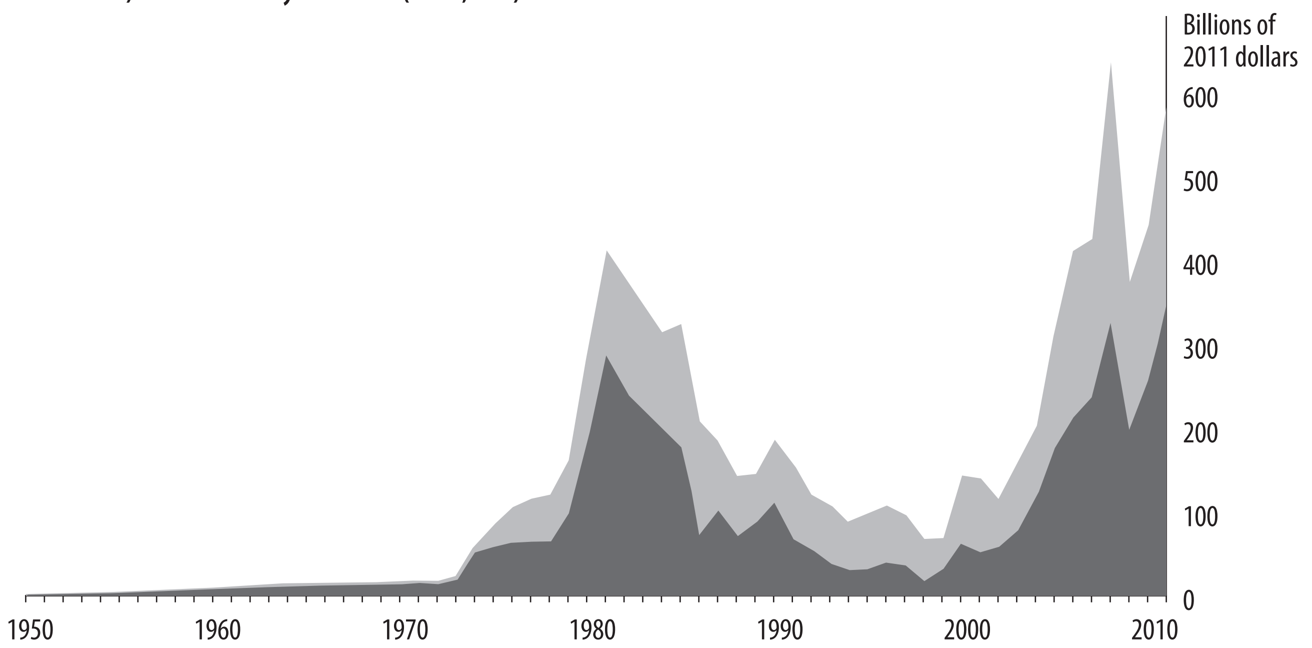
Some of the main sources of rent are **natural resources**, which are simply defined as non-produced assets. Obvious examples are **oil and natural gas**, both of which are of exceptional importance in numerous CIS countries. Let us examine these resources by the four dimensions outlined above. First, with respect to lucrativeness, these natural resources can ensure strong revenue streams both because of their respective markets' demand side—there is a constant demand for these resources in every modern country—and supply side—natural resources are usually geographically concentrated, therefore a country can easily be a local monopolist in its neighborhood. As we mentioned in the previous part, natural resources produce the lion's share of exports and budget revenues in countries like Azerbaijan, Kazakhstan, Russia and Turkmenistan.[312] However, the lucrativeness of oil and gas comes not only from the logic of the market, that is, its market-based profitability. Rather, oil and gas are **prime targets of governmental rent-seeking** as well in these countries, meaning the profits reaped are boosted way above their normal market level [→ 5.4.2.1].

Figure 7.25 depicts Gaddy and Ickes's estimates of rents in Russia, which also clearly shows how the dynamics of rents followed the development of the regime. After the 1973

in Africa.

[312] Kalyuzhnova and Patterson, "Kazakhstan"; Barnes, "Russia's Potential Role in the World Oil System."

Figure 7.25. Russian oil and gas rents in 1950–2010 (oil rents in black, gas rents in grey; billions of 2011 U.S. dollars). Source: Gaddy and Ickes (2013, 315).



oil crisis, the command economy's artificially low levels of energy prices generated substantial rents in the Soviet economy, benefitting not individual people or companies but the members of the Soviet empire in general. That is, the allocation of rents could differ from country to country on a discretional basis, but it was not the general party secretaries or their nomenklatura that soaked up the rents for their private gain. In the 1980s, rents peaked and then gradually diminished as the empire, as well as the previously unified energy industry, disintegrated. The rents continued to decrease after the regime change and reached a trough in the period of oligarchic anarchy, when the state was weak and no patronal network controlled enough state institutions alone to exploit every possibility of rent creation through discretional intervention [→ 5.4.2]. Then, rents start to grow at the turn of the millennium when Putin came to power, who realized that whoever controls the natural resources markets has a monopoly of political power in the country as well.[313] Finally, rents skyrocketed after Putin subordinated competing patronal networks, achieved by centrally-led corporate raiding on the Yukos oil company and seizure of the regional governors' tax revenues from the country's resource companies, instituting a single-pyramid patronal network in 2003–2004.[314]

Since Putin made Russia a patronal autocracy, the amount of rent has greatly surpassed what was collected in the Soviet Union—and its targeting has also changed. Now, it is used only partially to maintain regime stability, to co-opt Russian people and support neighboring autocracies through price subsidies. Other elements of rent go to the now pronounced function of personal-wealth accumulation, that is, to support the members

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[313] Politkovskaya, *A Russian Diary*, 133. On corruption in Yukos and Gazprom before the Putin era, see Browder, *Red Notice*, 138–156.

[314] Åslund, "Russian Resources."

and companies of the adopted political family. Gaddy and Ickes show this by tracing the distribution of different elements of rent in Putin's centralized and monopolized system of rent creation. The formal profits are shared between reinvestment and personal enrichment of the formal and informal owners; informal profits go to the formal owners, who hide this element of profit from the chief patron for their own personal enrichment. Formal taxes go to the state budget, and the chief patron disposes over them through the transmission-belt legislature [→ 4.3.4.4], whereas informal taxes—that is, protection monies [→ 5.3.3.1]—are shared between regional patrons and members of the local community. Finally, excess costs manifest in the form of overpriced contracts for goods and services placed with non-competitive firms of the adopted political family. According to the authors, this typically happens upon the informal patronal orders of Putin, who uses this method of channeling energy rents to dry out booty bubbles in the Russian economy [→ 5.5.4.3].[315]

The second dimension is the **difficulty of rent-collection**. On the one hand, rent collection is simple because oil and gas are **pure captive assets**. Borrowing this term from Vahabi, oil and gas belong to a type of asset that is both immobile and appropriable by the state, therefore it can hardly escape takeover by the political elite it happens to be on the territory of.[316] On the other hand, the extraction and transit of oil and gas **require physical infrastructure**, including heavy machinery and pipelines. Such equipment is expensive and difficult to build, but at the same time, these very features **make pipelines an important monopoly resource** once they are owned by a patronal regime. In contrast to the Gazprom diplomacy of "threatening to cut off its own supplies to other countries, Russia could block the pipelines that carry *other* countries' oil across or near its territory. The Western-financed CPC line runs from Kazakhstan around the northern edge of the Caspian Sea to the Russian port of Novorossiisk, and a Soviet-era pipeline carries oil from Turkmenistan and Kazakhstan to central Russia and the main export lines to Europe. Those export countries are therefore in a relatively weak position when negotiating transit tariffs or volume quotas" (emphasis in original).[317]

Third, **the natural longevity of oil and gas are rather high**. True, they are both depletable resources and—as Gaddy and Ickes point out—some portion of today's rent (profit) should be allocated to find and develop new deposits. But this is either (a) not relevant in the short and middle run as investments in future production can be shifted to the future, at the expense of future claimants,[318] or (b) they indeed provide further sources of rent-seeking when FDI is attracted in mining and exploration, overpriced and tightly knit to the companies of the adopted political family.[319] As Chayes writes, "[patronal] network-controlled state-owned enterprises, such as Azerbaijan's SOCAR [State Oil Company of Azerbaijan Republic], are requiring international investors to enter into joint ventures or use specific vendors. The international partner may find itself wired into the network willy-nilly."[320]

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315 Gaddy and Ickes, "Russia's Dependence on Resources," 317–24.

316 Vahabi, "A Positive Theory of the Predatory State," 160–64. Vahabi provides a more sophisticated analysis in Vahabi, "The Resource Curse Literature as Seen through the Appropriability Lens."

317 Barnes, "Russia's Potential Role in the World Oil System," 158.

318 Gaddy and Ickes, "Russia's Dependence on Resources," 324.

319 Franke, Gawrich, and Alakbarov, "Kazakhstan and Azerbaijan as Post-Soviet Rentier States," 120.

320 Chayes, "The Structure of Corruption," 521.

Finally, probably the most attractive attribute of natural resources for a patronal network is that they are **practically independent from the regime's functioning**. Natural resources are not made: if they are in the soil, any regime that happens to be controlling the territory may claim them. Moreover, any network that controls the given territory may claim them as well, as underlined by some exponents of the so-called "resource curse" literature. According to these authors, resource abundance has an effect on the given country's regime-specific features through **contributing to either (a) the consolidation of autocracies or (b) the disintegration of the regime in civil wars**.[321] Because of such effects on the internal logic and dynamics of regimes, some authors even conceptualized resource-abundant states by this feature, yielding terms like "rentier state" [→ 5.4.2.4] and "petro state."[322] On the one hand, our logic of conceptualization is different, and we do not treat resource abundance as a feature that is regime-specific, and should be put in the label of the state or the regime accordingly. On the other hand, the two effects revealed by the resource-curse literature can be readily interpreted in our terms, too. Namely, **(a) refers to the situation when natural resources are utilized by a single-pyramid network, whereas (b) is when they are utilized by a competing pyramid, conquering the geographical area the respective resource is concentrated in**. Both cases underline the lucrativeness of natural resources, contributing to a patronal regime's stability through ensuring a relatively stable flow of rents.

7.4.6.2. International transfers

In cases of patronal regimes that do not happen to sit upon rich natural endowments, **international transfers may fill the role of oil and gas**. Indeed, scholars have long noted that autocrats usually turn toward foreign aid with a rent-seeking behavior,[323] which also contributes to the long-term durability of their regimes.[324] However, the literature on foreign aid has mainly focused on countries outside the post-communist region (like in Africa and the Middle East), and it deals with monetary as well as non-monetary support (such as weapons and training for small security force units, which can be deployed to protect the regime).[325] We narrow our discussion to monetary transfers only because the post-communist region has no military dictatorships [→ *Conclusion*], and also because one particular kind of international transfer has been instrumental to Central European adopted political families: **European Union funding**. Among EU transfers, we can find what may be called **(a) passivity rents**, like the agricultural single area payment scheme that pays on a normative basis of owning certain acreage and requires no significant production afterwards,[326] and **(b) activity rents**, like the monies for large infrastructural developments that need to be spent on specific purposes but can be subject to rent-seeking via overpricing [→ 5.3.3.3]. Paradoxically, the only patronal autocracy within the EU, Hungary received,

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321 Vahabi, "The Resource Curse Literature as Seen through the Appropriability Lens."

322 For a meta-analysis, see Waldner and Smith, "Rentier States and State Transformations."

323 Svensson, "Foreign Aid and Rent-Seeking"; de Mesquita and Smith, "A Political Economy of Aid."

324 Licht, "Coming into Money."

325 Boutton, "Of Terrorism and Revenue," 361.

326 Gebrekidan, Apuzzo, and Novak, "The Money Farmers."

on average, 4.3% of its GDP as net EU transfer every year in 2010–2015, more than the non-patronal Poland and the Czech Republic.[327] The governments of the more developed EU countries may feel some degree of frustration as they look on, powerless, while the adopted political family accumulates wealth at the expense of their taxpayers. "Nearly 88% of the hundreds of billions of forints [i.e., billions of euros] in public procurements won by companies linked to [then inner-circle oligarch] Lajos Simicska consist of EU projects. Although this figure does not necessarily reflect the proportion of the company's revenue fuelled by EU funding, it does give some indication of the vast portion of its activities that are made up by EU-funded projects. This ratio is even higher for the billions in contracts awarded to the companies of István Tiborcz [Orbán's son-in-law] and Lőrinc Mészáros [→ 5.5.4.3]. Over 94% of public contracts won by energy firm Elios Innovatív Zrt., partially owned by Tiborcz, consist of European Union projects, and this ratio stands at over 99% for Mészáros's construction firm Mészáros és Mészáros Kft."[328] The effort to decouple the utilization of EU funds from EU norms and oversight has exacerbated Orbán's conflict with Brussels. Large donor countries will sooner or later have to face the sensitive political issue of how much longer their taxpayers will be willing to finance the personal enrichment of the beneficiaries of the Hungarian mafia state, definitely not figuring among the objectives of European Union funding.

The **lucrativeness** of international transfers follows from the fact that they are **virtually pure rent**, "free money" that can be swallowed by the adopted political family. A more precise analysis can be drawn by focusing on the aspect of **difficulty of rent-collection**, which here refers to the conditions that must be met to receive the transfers. In the case of the untied agricultural payments of the EU, there is a normative condition that needs to be met once—acquiring a certain size of land—after which payment is automatic. In Hungary, this condition was met as a new land law in 2014 allowed redistribution of land to oligarchs of Orbán's adopted political family, who therefore became recipients of large rents without any further requirement of working or investing in the land.[329] To tap into the tied supports for infrastructural development, the Hungarian mafia state took control of the distribution system of EU funds. Zoltán Lakner reports, "János Lázár [then a poligarch under Orbán] submitted a proposal to the government in 2013 which stated that private firms that write tenders could no longer work for state procurers. The ministries, county towns, and county municipalities are setting up their own tender-writing departments. Additionally, the idea of centralizing public procurements has also been brought up, as well as nationalizing the IT systems used for tendering. […] The government intervened in the construction industry in a similar manner, and again only through the allocation of EU funds, by requiring that only state planning agencies could design buildings funded from EU money or an investment by the government." Lakner also reminds that such intervention "does not conflict with EU law, since the state also maintains control over EU tenders in other countries."[330] In late 2018 Orbán set out to centralize state tenders above

327 Surányi, "Magyar gazdaság: Jobban teljesít?" [Hungarian economy: Does it perform better?].

328 Pethő and Vorák, "Orbán öt éve harcol az EU-val. Legszűkebb köre addig gazdagodott belőle" [Orbán has fought the EU for five years. In the meantime, his clique got rich from it].

329 Lakner, "Links in the Chain," 165–67; Juhász, "Controlled Competition in the Agriculture."

330 Lakner, "Links in the Chain," 163–64.

700 million forints (ca. €2.1 million) in construction, sports, and the IT sector, making the distribution of rents even better monitored.[331] **Control mechanisms against overpricing** and rent-seeking in general **can also be neutralized**, either by (a) changing domestic control agents to gatekeeper brokers [→ 5.3.3.2], like chief prosecutor Péter Polt in Hungary,[332] or (b) exploiting the weaknesses of defensive mechanisms of the international integration, like the ones explained above in the case of the EU [→ 7.4.4.2].

As Central European patronal regimes receive EU funds—nominally to enhance economic cohesion of the Union's single market—by virtue of being member states, **long natural longevity** of EU transfers is guaranteed. Finally, **EU funds are generally dependent on the regime's policy-specific features**, like the Maastricht convergence criterion of 3% budget deficit that Orbán's regime has been very careful to meet.[333] Yet recent reforms, tasking the European Commission with establishing "generalised deficiencies as regards the rule of law" and decide on measures that could include suspending EU budget payments or reducing pre-financing, mark precisely **the aim of making EU funding dependent on regime-specific features, namely the situation of rule of law**.[334] Such reforms make the EU's defensive mechanisms more targeted toward patronal regimes. True, the above-explained "carpet bombing" tactics that the reduction of EU funding represents still question the effectiveness of such measures, although it may force the chief patron to reduce overpricing and/or having a tighter grip over the adopted political family to avoid elite factions turning against him.[335]

7.4.6.3. Booty companies and financial institutions

From resources that exist by virtue of geographical and geopolitical position, we now move on to **created sources of rent in a relational economy**. In Chapter 5, we explained that regulatory intervention creates rents, whereas discretional regulatory intervention makes targeted rent creation for the members of the adopted political family possible [→ 5.4.2]. Focusing on sources of distributable rent, there is no need to repeat the forms of shelter-providing intervention here [→ 5.5.4]. Rather, we may stress the importance of **creating institutions of rent-collection**, particularly **(1) booty companies**, owned by oligarchs or economic front men and enjoying the benefits of shelter provision directly, and **(2) financial institutions** like banks, conglomerates and perhaps state loans to finance booty companies, both in terms of generation of capital and expansion of already existing economic empires. "In order to service the supermonopolies of Rosneft and Gazprom," writes Politkovskaya about Russia in the mid-2000s, "monster financial conglomerates like Vneshtorgbank are being enlarged and are conquering new territories with the aid of the presidential administration."[336] She also pointed out that Putin needed "to renationalize successfully functioning enterprises, turning them into financial industrial conglomerates or holding companies.

[331] Szabó, "Purgatorbánium."

[332] Magyar, *Post-Communist Mafia State*, 50–51.

[333] Békesi, "The Economic Policy of the Mafia State." On policy-specific features, see Part 7.4.7.

[334] "Member States Jeopardising the Rule of Law Will Risk Losing EU Funds."

[335] Cf. Escribà-Folch and Wright, "Dealing with Tyranny."

[336] Politkovskaya, *A Russian Diary*, 132–33.

[…] Conglomerates such as Vneshekonombank, Vneshtorgbank, and Mezhprombank (so-called Russian major financial holdings to counterbalance the more Western-looking Alfa Group and others) swallow ever greater chunks of collateral, successful enterprises raised from their knees after the Soviet collapse."[337] Sberbank, Russia's largest lender by assets was also privatized in 2011 in a targeted manner (essentially transit nationalization [→ 5.5.3.3]), for similar purposes of solidifying sources of distributable rent.[338]

In Hungary, the financing of booty companies has come from two kinds of sources. On the one hand, banks were moved to the ownership orbit of the adopted political family by means of predation, involving numerous instances of white raiding and transit nationalization (MKB Bank, Takarékbank, Budapest Bank).[339] Entering in the consuming phase, the banks engaged in preferential lending to finance real estate investments, media buy-ups, as well as the purchase of a hotel chain for Lőrinc Mészáros, the main economic front man of Orbán [→ 5.5.4.3].[340] On the other hand, patronal banks—as well as, indirectly, the booty companies—benefitted from the **monetary policy** of the Hungarian National Bank (MNB). Related policies include base-rate lowering and the so-called Funding for Growth Scheme (FGS), whereby the MNB provided banks with refinancing at 0 percent interest rate, which they could lend to small and medium-sized enterprises at a maximum interest rate of 2.5 percent. More than HUF 2.800 billion (ca. €8.6 billion) was disbursed to the SME-sector this way, mainly to domestic-owned enterprises.[341] Distribution was managed through banks like the MKB and Növekedési Hitel Bank (Funding for Growth Bank, NHB), owned by Tamás Szemerey who is the first cousin of MNB-governor György Matolcsy.[342] Furthermore, FGS was later expanded with the Bond Funding for Growth Scheme (BGS), whereby MNB engages in purchasing corporate bonds up to HUF 300 billion (ca. €915 million). This program has been used by booty companies like Opus Global and 4iG (related to Mészáros and high-profile front man Gellért Jászai).[343]

Both booty companies and financial institutions highly depend on the regime's functioning—indeed, without discretional intervention they would collapse due to booty bubbles [→ 5.5.4.3]. This aspect of dependence defines all four we have used to evaluate sources of distributable rent. Rent collection is as simple as the creation of the institutions related to rents; natural longevity of created rents equals that of the regime. Yet from the aspect of lucrativeness, booty companies with a strong financial background are **the primary "tapping points" to the rents generated in the relational economy**, meaning they are highly lucrative either in their own right (when their rents originate from discre-

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337 Politkovskaya, *A Russian Diary*, 283.

338 "Судьба Экономических Программ и Реформ в России [The fate of economic programs and reforms in Russia]."

339 Várhegyi, "The Banks of the Mafia State"; Várhegyi, "A bankszektor elrablása" [The raiding of the banking sector].

340 Várhegyi, "A bankszektor elrablása" [The raiding of the banking sector], 11; Rádi, "Indebtedness of National Oligarchs Risk Banking System, Experts Say."

341 Scheiring, *Egy demokrácia halála* [How a democracy dies], 235.

342 Brückner, "NHB: Nincs tovább, és ez mindannyiunknak fájni fog" [NHB: This is the end, and it will hurt all of us].

343 Rényi, "A százmilliárdos bombaüzlet, amit Orbán inkább elvitt Felcsútról" [The 100-Billion jackpot that Orbán decided to take away from Felcsút].

tional intervention) or because the adopted political family can channel rents from other sources through them (like in the case of Gazprom, which is also Russia's largest natural gas company).

7.4.6.4. State budget

Finally, **the state budget** can be a source of distributable rent, as Jancsics writes, as patornalism "becomes the dominant mode of social organization and turns almost the entire public distribution system into a monopolistic quasi-market in which informal networks control everything from prices to market access."[344] However, as Jancsics points out, patronal autocracies must maintain a democratic façade: a chief patron cannot be like Mobutu, the Zairean dictator who personally controlled one-third of the state budget.[345] In a neopatrimonial state, "the illegal reallocation of […] public resources must happen within the country's formal institutional framework. [The adopted political family] can extract money only through public tenders and procurements involving a large number of actors," namely corruption brokers [→ 5.3.3.2] and other servers of corruption in the public administration [→ 5.3.2.2].[346]

Lucrativeness and rent collection are limited by a number of factors in the case of the state budget. First, public spending cannot be turned into pure rent, and it cannot be fully discretional either. Indeed, it is a vital part of the democratic façade that even mafia states do not abolish normative benefits like pensions (nor normative taxation), but instead try to use them to serve regime stability through co-optation [→ 6.3]. Thus, patronal autocracies apply various modes of spending in various cases, including the cash-cow mode between elections and egalitarian or elitist modes in times of elections [→ 5.4.3.3]. Second, among the main sources of the state budget, we can find general and sectoral taxes even in patronal autocracies. While the state can collect taxes in stable regimes,[347] a mafia state has to face the problem that the more aggressive the relational market-redistribution is, the larger the segment of the economy is that will move to the informal economy [→ 5.6.1.4]. In Russia, the size of the informal economy is estimated to be at least half of the gross national product,[348] which limits the size of budget revenues in general and rents that can be extracted through the redistribution process in particular. Finally, excessive spending—including legal and illegal favoritism—creates budget deficits that are typically covered from foreign loans, which creates dependence and ultimately increases the vulnerability of the country (and the adopted political family) to external shocks.

"Natural longevity" can be interpreted in the context of the state budget as the period **until the state is stable**, maintains the monopoly of legitimate use of violence and the people pay enough taxes for the state to finance its functions. Finally, the state budget as a source of distributable rent **highly depends on the regime's functioning**. On the one hand, as Jancsics indicates, complex systems of formal and informal institutions need to

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344 Jancsics, "From Local Cliques to Mafia State," 138.

345 Graycar and Prenzler, *Understanding and Preventing Corruption*, 12.

346 Jancsics, "From Local Cliques to Mafia State," 138.

347 Cf. Easter, "Revenue Imperatives: State over Market in Postcommunist Russia."

348 Yavlinsky, *Realeconomik*, 109.

be maintained with many corrupt actors to create rents and channel them to the adopted political family from the state budget. On the other hand, the economy that needs to generate the revenues may be able to do so only as much as the adopted political family lets it. A policy-specific feature, economic development may be hampered by the parasitic, interventionist nature of informal patronal networks. To ensure decent revenue streams, it is actually rational for the mafia state to constrain itself: (1) not to overtax economic actors too much, not taking away too much more than what the public services worth; (2) not to monopolize too many markets for rent-seeking purposes but instead to let some competitive markets work with outsiders, generating tax revenue; (3) to signal to economic actors that their property rights will be respected in mundane cases, that is, when they do not contradict the interests of the chief patron, so they can engage in profitable trades and investments. In general, the chief patron may refrain from discretionally "picking the winners" in every market, as that would completely discourage profit-driven investment and innovation, eventually decreasing the level of distributable rent as well.[349]

7.4.7. Policy-Specific Features: Regime-Based Analysis and the Room for Maneuver

7.4.7.1. Towards an alternative analytical paradigm: from public policy to patronal policy

By speaking about "sources of distributable rents," we have already deviated from **the usual analytical paradigm** applied to resource-rich countries in the region. That paradigm is demonstrated by an already cited paper of Anja Franke and her colleagues, listing the "typical dangers of resource wealth:" "first, resource wealth can lead to a failure to diversify […]; second, there is a link between the high level of corruption and the enormous oil and gas reserves, and it is commonly known that the extraction of resources boosts illegal rent-seeking behaviour […]; and third, it is a major problem that resource rich countries try to and are able to feed the illusion of sustainable economic development. [Thus], we can state that great damage is done to sustainable socio-economic and democratically oriented political transformation."[350] First, this description **analyzes decisions as public policies and not patronal policies**, although the countries in question—Kazakhstan and Azerbaijan—are clearly more suited to analysis as patronal autocracies than as liberal democracies [→ 4.3.4.1, 7.3.2.4]. This can be observed by their treatment of corruption as a "danger," not as an inherent feature of the regime, and resource extraction, as something that "boosts" illegal rent-seeking behavior. Indeed, the line of causation is the opposite: it is not resource wealth that poses—as the authors write—a "temptation for political leaders to act in an individualistic, rent-seeking manner"[351] but the leading elites are rent-seeking, adopted political families in the first place, and resources just happen to be the cash cow

[349] Cf. Higgins, "Russia Wants Innovation, but It's Arresting Its Innovators."

[350] Franke, Gawrich, and Alakbarov, "Kazakhstan and Azerbaijan as Post-Soviet Rentier States," 123–24.

[351] Franke, Gawrich, and Alakbarov, "Kazakhstan and Azerbaijan as Post-Soviet Rentier States," 125.

they can accumulate personal wealth from in the given country. Second, **the success of policies is assessed in comparison to Western-type liberal democracies**, or by usual criteria of development and democratization ("sustainable socio-economic and democratically oriented political transformation"). If we understand "success" as one reaching the goals he sets for himself, such assessment is suitable only to public policies, whereas patronal policies are successful if they achieve power concentration and personal-wealth accumulation—for example, if they make natural resources yield distributable rent for the patronal network. Indeed, **the usual analytical paradigm follows the framework of transitology**, where countries are imagined as moving forward and backward on a single democracy-dictatorship axis, and "bad" policy decisions are recognized as deviances, stemming from "temptations" that "pervert" political actors that are of fundamentally Western type [→ *Introduction*].

Instead, we propose **an alternative analytical paradigm** when it comes to assessing such **policy-specific features**. Policy specificities constitute the third group of features we distinguish, alongside regime and country-specific features. In contrast to the regime specificities of power and autonomy, on the one hand, and the country specificities of unchosen or culturally/historically rooted factors, on the other, **policy-specific features are (1) the concrete programs chosen and formally enacted by governments** (these may be called **"primary policy-specific features"**) and **(2) the result of these programs**, including both success and the public-policy consequences typically measured in statistical measures and socio-economic indices (these may be called **"secondary policy-specific features"**). Indeed, when we speak about an alternative analytical paradigm, we do not reject the plethora of existing research that reveals the effects of policies on GDP growth, human development, social inequality, environmental sustainability etc. in these countries.[352] We only argue that such data should be dealt with in their proper place, that is, in context of the regime they are measured in. In other words, when such data are assessed, the benchmark for analysis is not automatically "the developed West;" measuring the same data in the same structure and emphases in liberal and patronal regimes produces a false picture. For example, some Russia experts put average income per capita into focus and find that Russia is a "normal middle-income democracy" of the Western type,[353] not recognizing the relational economy and clientage society where decent average income does not indicate a strong bourgeoisie [→ 6.2.2]. Indeed, such approaches assume the universality of economic, social and political processes in the world, without appreciating the specific context of patronal regimes.[354]

The gist of the alternative analytical paradigm is **looking at policy-specific features through regime-specific lenses**. In Chapter 2, we defined every state by a dominant principle of state functioning, which manifests in the rulers' actions as they make the state and its regime what they are [→ 2.3.1]. In Chapter 4, we concretized this by saying that different dominant principles manifest in different types of policies: the principle of societal interest

[352] For example, see Offe, "The Politics and Economics of Post-Socialist Capitalism in Central East Europe"; Kaklauskas et al., "Multiple Criteria Analysis of Environmental Sustainability and Quality of Life in Post-Soviet States."

[353] Shleifer and Treisman, "A Normal Country."

[354] Shlapentokh and Woods, *Contemporary Russia as a Feudal Society*, 8–9.

in public policies (serving an ideology without power monopolization) and the principle of elite interest in patronal policies (serving power monopolization and personal-wealth accumulation) [→ 4.3.4.1]. Because liberal democracy and patronal autocracy are defined by presuming the principles of societal and elite interest, respectively, it follows that, **if one selects either ideal type regime as the basis for analyzing a real-world polity, he should also presume the principle it is based on in policy analysis**. That is, if liberal democracy is accepted in a country as the basic model or framework of analysis, this framework implies that policies are to be seen as public policies; whereas if a country happens to fit best to the model of patronal autocracy, then policies are to be seen as patronal policies. This is what "regime-specific lenses" means.

On the other hand, **it is the content of policies that is not regime-specific**. For different ideologies, on the one hand, and power monopolization and personal wealth-accumulation, on the other, can be achieved by a variety of means. What means (policy programs) are chosen depend on what the policy-makers consider, including—besides their general principle—the given circumstances and their views on the effectiveness of given policies, as well as the information available to them at the moment.[355] Even the same goal may require different sets of policies in different places. Csaba analyses post-communist countries in terms of convergence to the West, and finds that "there is no royal road. In other words, it is not the genuine, perfect algorithm that needs to be found, but the solutions that are best suited to local conditions and work there, in principle and in practice. [Indeed, in post-communist countries] the same global economic and EU challenges have produced radically different answers, but the results are far from equally good."[356] Yet it is important to note that convergence to the West is not the obvious criterion of success for a patronal regime. Precisely, our alternative analytical framework calls for seeing such regimes through their own lenses: presuming the same principle that is presumed in the model we choose for the country, and interpreting policies and their results accordingly. **In a liberal democracy, the subject whose perspective we measure policy success by is the public (hence public policy); in a patronal autocracy, the subject whose perspective we measure policy success by is the leading patronal network (hence patronal policy).**

While there is an almost infinite body of literature on public-policy analysis, our alternative approach calls for patronal-policy analysis by the aspects of the patronal network. The advantage of this approach is not only that the resultant analysis will harmonize with how we describe the regime—if this was all, one could easily say that he is not interested in how policies serve the rulers but in how they serve the people, that is, in the public-policy consequences. Yet **the alternative analytical paradigm provides predictive power** that the usual paradigm does not. For if a regime is deemed a patronal autocracy, that is because most of its features, including the actions of political-economic actors, imply this. In other words, patronal autocracy is the model with the most explanatory power for the known facts. If this is the case, however, that also means that we have reason to assume that elite

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[355] Hayek famously argued that central planning is ineffective because planners do not possess the information needed to make good allocative (in our terminology, policy) decisions in every market. See Hayek, "The Use of Knowledge in Society."

[356] Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 20–21. Also, see Guo and Woo, *Singapore and Switzerland*.

Table 7.7. An analytical framework for patronal policies, with the case of Hungary as an illustration (2010–2018).

		Patronalization and patrimonialization			Patronal policy consequences (rationale)	Public policy consequences
		Institutional dependence	**Financial dependence**	**Personal dependence**		
Education	**Public**	Centralization and takeover of public schooling from local governments	Financial decisions delegated to a central body	Ministerial appointment of school principals, employment decisions transferred to district-level authorities	Control of channels of social mobility, restricting freedom of speech of teachers and professors; discretional control over the distribution of budgetary resources	Decreasing student performance (PISA), increasing segregation and dropout
	Higher	Appointing omnipotent chancellors over the institutions by the chief patron	Making normative financing a question of institutional bargain, relegating inter-institutional financial decisions to chancellors	Minister can overrule the Senate's proposals for Rectors		Decreasing number of university students in Hungary, increasing number of emigrating university students
Culture / research		Takeover of research institution network of Hungarian Academy of Sciences; establishment of a pro-government academy of arts	Making formerly normative and competitive resource distribution a discretional right of the government	Making artistic life without state funding or membership at the new Academy of Arts economically unviable	Subordinating culture and research to symbolic politics and propaganda (camouflage)	Decreasing diversity of culture and research
Social policy		Centralization and takeover of certain social public services from local governments	Resource withdrawal from local governments and NGOs, restricting social budget	Introducing public work in place of some social benefits as a de facto form of servitude	Maintaining patriarchal family order on social level	Decreasing chances of social upliftment, weakening social security, increasing social inequalities

interest is the root cause of state action, and therefore it is the principle of elite interest we can expect the ruling elite to follow. Thus, we can make predictions for how the chief patron will act in the future, what factors he will consider in maximizing what objective function. This way, the alternative analytical paradigm allows not only for finding the explanatory principle behind otherwise "chaotic" and often improvisation-like actions but also for making better predictions about future policies.

To illustrate our alternative analytical paradigm, an analysis is put forward in Table 7.7, providing **an analytical framework for patronal policies** carried out in the Hungarian patronal autocracy. We chose Hungary for illustration because it has been the subject of our earlier research, where every policy is described in detail (which we could not do within

the limits of this text).[357] In the analytical framework, patronal policies are presented for education, culture and research, and social policy.[358] These are analyzed by three dimensions: **creating (1) institutional dependence, (2) financial dependence, and (3) personal dependence** on the mafia state in general and the adopted political family in particular. For instance, institutional competences that have belonged to autonomous units like the schools and local governments have been centralized in the hands of newly formed entities, filled up with patronal servants [→ 3.3.5]. Financial dependence is typically created in unison, delegating financial resources and the distribution of tax monies to these institutions, which dominantly redistribute it on a discretional basis. Finally, personal dependence is created by (a) centralization of appointments (education), (b) making alternative options outside the power network economically unviable (culture), and (c) forcing the poorest people into *de facto* servitude, with no labor rights, to local adopted-family members in the framework of public work (social policy).

Finally, the analytical framework distinguishes between **patronal and public policy consequences**, in line with our alternative analytical paradigm. In education, a patronal policy consequence is the control of channels of social mobility, whereas it also causes—on the public policy side—decreasing student performance, increasing segregation and a diminishing number of new university students every year. Culture becomes subordinated to symbolic politics and propaganda, while this also means a decline in the diversity of culture. In the case of social policy, the isomorphic nature of patriarchal family order on the level of society is created [→ 2.4.5], while the chances of social mobility and social security are weakened as a public policy result of the patronal policy.

7.4.7.2. Sustainability and consolidation as success criteria in patronal regimes

While informal patronal networks run on the twin motives of power concentration and personal-wealth accumulation, it is important to see that these people are not ordinary thieves. Indeed, **a chief patron is not a roving but a stationary bandit**: looting not some momentarily chosen target but his own homeland, he cannot simply take what he wants today but instead must think about tomorrow as well.[359] Adding a time dimension to our analysis of patronal policies implies that **sustainability and consolidation** are essential **success criteria of patronal regimes**. In a patronal autocracy, policies can be regarded as

[357] Magyar, *Post-Communist Mafia State*, 130–58. We also rely on research published in an edited volume by one of the authors on Orbán's Hungary. Particularly, see Krémer, "The Social Policy of the Mafia State and Its Impact on Social Structure"; Bozóki, "Nationalism and Hegemony"; Andor, "Restoring Servility in the Educational Policy."

[358] As for economic policy, secondary policy-specific features like competitiveness and GDP growth are going to be discussed below. As for primary policy-specific features, (1) regulations and fiscal policy are largely regime-specific, as we have explained in Chapter 5 [→ 5.4], whereas (2) monetary policy is largely policy-specific and independent from the regime type because of the extremely global nature of financial markets. Most post-communist countries have formally independent central banks and freely convertible currencies with no exchange controls, although China is a notable exception. See Zengping and Genliang, "An Institutional Analysis of China's Reform of Their Monetary Policy Framework."

[359] Cf. Olson, *Power And Prosperity*, 1–44.

successful if they serve elite interest in the long run, that is, if **(1) political sustainability (of concentrated power)** and **(2) economic sustainability (of the sources of personal-wealth accumulation)** are achieved as secondary policy-specific features. In Chapter 4, we described how the former could be achieved [→ 4.4.3], and the related policies of autocratic consolidation, neutralization of public deliberation and separation of resources of power are ones that patronal autocracies show a propensity for. However, while there is great overlap in the opposition-suppressing and election-manipulating techniques of post-communist leaders like Putin, Orbán and Nazarbayev, they also institute peculiar policies that fit to local circumstances and the specificities of their country. **Successful chief patrons have proven very creative when it comes to achieving political sustainability**, consolidating power monopoly by exploiting the opportunities at hand.[360] If we look at Orbán only, we can see how unique his case is: he created the only patronal autocracy (1) from liberal democracy and (2) within the European Union (and Hungary is one of the two patronal autocracies that have parliamentarist constitutions, alongside Plahotniuc's Moldova). This alone required considerable creativity, compared to countries that never reached liberal democracy and operated outside the EU's civilizational gravitational field.

We may bring 1–1 examples from Moldova and Hungary, illustrating chief patrons' creativity in turning peculiar circumstances to their advantage. In Moldova, facing an imminent electoral defeat and loss of foreign political support, Plahotniuc had the Constitutional Court rule in 2016 that it is unlawful for the parliament to elect the president by a qualified majority. In contravention of the earlier practice, this decision of the Court ruled that the President should now be elected directly. Calling for a presidential race, Plahotniuc (1) avoided electoral defeat (previous opposition allies turned against each other in the wake of the race), (2) could use his media empire to have his protégé Dodon elected president (who helped him to successful tenders as Minister of Economy under Voronin), and (3) framed himself as an ally in the eyes of the West (vis-à-vis the vocally Russia-supporting Dodon). Thus, he managed to reinforce his (informal) position in power, with respect to domestic as well as international actors.[361] As for Hungary, Orbán used the country's special geopolitical status to carry out a partial "virtual replacement of the population." Ethnic Hungarians living outside the borders of Hungary—mainly in Transylvania in Romania—who took advantage of the opportunity to have dual citizenship (introduced by Orbán) are largely in the government camp in terms of votes, while those Hungarians who have emigrated for shorter or longer periods belong generally in the opposition. The former could vote by a simplified procedure and simply mail their votes; moreover, the loyal, government-funded civil organizations outside the country could collect the ballots by the tens of thousands without any oversight, on the basis of lists of addresses available only to them, and could eventually deliver them by hand, rather than post, to the organs handing the elections. At the same time, the hundreds of thousands of Hungarian citizens working in Western Europe or the US had virtually no means to exercise their right to

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360 Scheppele, "Autocratic Legalism."

361 Solovyov, "In Moldova's Vote, the Real Winner Is Plahotniuc"; Mizsei, Mizsei, "A bábmester a hátsó ajtón távozik —Mi történik Moldovában?" [The puppet master leaves by the back door—What Is happening in Moldova?].

vote: perchance they were able to vote by taking a trip of hundreds of kilometers, going to expense of hundreds of dollars and standing in line for hour upon hour. In this way, the government replaced a few hundred thousands government-critical voters with around a hundred thousand supporters of the government.[362] And while this might not seem significant, these votes were necessary for Fidesz in 2014 and 2018 to sustain its parliamentary supermajority, that is, the monopoly of political power.

While our understanding of political sustainability should not strike anyone as very unorthodox, **economic sustainability** is usually interpreted in terms like "competitiveness," "indebtedness," "(rising) inequalities," "(renewable/depleting) sources of GDP growth" etc.[363] Statistical data underpinning such analyses appear different if we don the regime-specific lenses of patronalism. For if stability and consolidation are the success criteria of patronal regimes, usual measures of economic sustainability divide into two parts. On the one hand, **features like inequalities, job growth or economic growth are important only as regime-stabilizing or destabilizing elements**. Indeed, patronal autocracies typically use their media as well as the statistical office to cover up such problems, even though the people may feel economic problems in their lives. But as long as this does not develop into countrywide discontent that would also be channeled into a countrywide social movement or party, such "problems" do not endanger the chief patron's power monopoly. In other words, **even a lagging patronal autocracy can be regarded as successful if it is consolidated**. Russia is a good example of this. In 2016, Russian GNI per capita was $22540 (ca. ten percent below Hungary and Poland) with large social inequalities, annually decreasing net investments since 2012, serious capital flight, and patronal intervention in the economy that has undermined the opportunities of strong GDP growth and a thriving entrepreneurial sector.[364] However, Russia has been among the most consolidated patronal autocracies according to available data [→ 4.4.3.2], and the chances of regime change can mostly be tied to the problem of succession of Putin.[365] The Russian patronal autocracy is, therefore, rather successful, if we analyze it according to its own goals.

On the other hand, "economic sustainability" in our terms indeed refers to **the ability to maintain the sources of distributable rent**, as explained previously [→ 7.4.6]. Here, the common approach and our alternative analytical paradigm once again disagree. Csaba compares Russia to Kuwait and shows how a resource-based economy without genuine reforms has been a curse to development, similar to the research of Anja and her colleagues that we cited above. However, when he points out that "income is concentrated in the hands of a thin layer […] while a significant part of the population has been in a state of exclusion," he actually describes a well-established limited-access order [→ 6.2].[366] Russian economist Vladimir Polterovich also points out—in line with our paradigm—that independently of the proclaimed ideological goals, the so-called "reform policies" that Putin

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362 Majtényi, Nagy, and Kállai, "'Only Fidesz' Minority Electoral Law in Hungary."

363 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 203–34.

364 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 217–22.

365 Cf. Galeotti, "Future Without Putin No Longer Taboo Issue"; Galeotti, "Is This Russia's Next Leader?"

366 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 217. Also, see Kordonsky, *Socio-Economic Foundations of the Russian Post-Soviet Regime*.

has implemented in most cases simply aimed at and resulted in the creation, collection and distribution of monopolistic rents.[367] True, resource-dependence risks depletion, which is a problem even for a chief patron (in the long run at least), and export-dependence makes the source of rent ultimately vulnerable. Some even opined that the decrease of rents spurred Putin to remove regional top patron Gazier from Komi in 2015, implying not just a cut in spending but also that, **as the amount of rents decreases, order in the adopted political family is maintained less by "carrots" and more by "sticks"** [→ 2.5.3]. A similar problem may stem from the decrease of EU transfers for Orbán's Hungary, which might lead to the decrease of overpricing in public procurements [→ 5.3.3.3] and/or Orbán becoming more strong-handed toward his clients to ensure the sustainability of his single-pyramid patronal network.

7.4.7.3. The room for maneuver: crises and the societal limits of policy-making in normal times

The previous parts argued that (1) policies are made, and are to be analyzed, by regime-specific motives, and (2) a time dimension needs to be added to evaluate the success of policies. Both insights concern the preferences, but not **the limitations of the rulers** in realizing their preferences. Indeed, we touched upon this dimension in the previous paragraph, talking about the effects of restricted flow of rents on primary policy-specific features. To make a more general claim, we can point out that the dimension of **room for maneuver** needs to be considered, referring to the range of policies the rulers can choose under the given circumstances.

While we cannot list here every factor that might influence room for maneuver, the most conspicuous ones are the various crises, which place exogenous constraints on the rulers and force them to make a response. Examples include wars, pandemics, and various forms of economic crisis. Focusing on the latter, which has been the subject of many scholarly inquiries of the region, we speak about **economic crisis** when stagnation or recession, that is, falling below a level once achieved, happens in the whole economy for a longer period of time.[368] The "whole economy" may refer to a country, in which case we speak about "national crisis," or more countries connected to each other, in which case we speak about "international crisis." Such crises narrow the rulers' room for maneuver, as they narrow available resources and **require prompt response** to mitigate their detrimental effects.

While every post-communist country went through crises, **answers have varied according to the differences of the regimes**. Let us illustrate this by the **transformational crises**, which were national crises, though this feature is less notable than the fact that (1) every post-communist country went through them in the 1990s and (2) these were **crises accompanied by system change** [→ 7.3.1]. In cases of national or international crises in modern capitalist economies, both the problems and the answers stay within the framework of market economy. In contrast, the transformation crisis meant that **the socialist system as a whole was in crisis**, and the answers must have included stepping

[367] "Судьба Экономических Программ и Реформ в России [The fate of economic programs and reforms in Russia]," 23.

[368] Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 129.

out of its framework and solving the problems in a new, capitalist system. To be more precise, Kornai suggested in an early article that the countries that spent decades under communism necessarily face crisis after the system change. Such transformations share five features: (1) the shift from a sellers' to a buyers' market; (2) the transformation of the real structure of the economy; (3) the disturbances in the coordination mechanisms; (4) the macroeconomic consequences of the hardening of financial discipline; and (5) the backwardness of the financial system.[369] The result of these factors was (a) severe depression, up to 50% of GDP in post-Soviet and Slavic countries and up to 20% of GDP in Central Europe,[370] and (b) inflation, or even hyperinflation in Serbia and Montenegro, Georgia, Armenia, and Ukraine.[371] To counter these effects, **every post-communist country went through the four steps of stabilization, liberalization, institution-building and privatization** (abbreviated as "SLIP" in the economic literature).[372] On the one hand, this was a policy straightjacket, whereby the range of options the policy-makers had narrowed. Particularly, they did not have the option to do nothing: they had to implement some sort of policy along the lines of SLIP. On the other hand, this straightjacket was still somewhat loose, considering the variety of forms stabilization, liberalization, institution-building and privatization took in different countries [→ 5.5.2].[373] In *Divergent Paths in Post-Communist Transformation*, Oleh Havrylyshyn offers an overview, where we can observe that **the scale of the implemented reforms was strictly related to regime development in general and the level of patronalism in particular**. Countries in the Western-Christian historical region that developed into liberal democracies by their primary trajectory either already had a head start (Croatia, Hungary, Slovenia) or experienced a "big bang" kind of change from communism (the Baltic countries, Czechoslovakia and Poland), but they all showed strong liberal commitment and implemented sustained reform policies. Among the more patronal regimes with moderate or weak liberal commitment, the ones that changed to patronal democracy or oligarchic anarchy either aborted the reforms implemented in the wake of the "big bang" (Albania, Bulgaria, North Macedonia, Russia) or had gradual and delayed reforms (Armenia, Georgia, Romania, Tajikistan, Ukraine). Gradual reforms were present in Azerbaijan and Kazakhstan as well, to the extent that they fortified the private enterprise arm of adopted political families [→ 7.3.2.4]. Finally, the other countries that experienced dictatorship transformation featured only limited reforms, some of which were even reversed in the years of transition (Belarus, Turkmenistan, Uzbekistan).[374]

Ending the transformational crises meant that post-communist countries successfully moved from one equilibrium situation to another, that is, from a socialist to a capitalist setting. In the new equilibrium, that is, **during "normal times"** (apart from crises), **the factors that limit primary policy-specific features are dominantly country-specific**. Indeed, the various country-specific features we discussed above necessitate specific pol-

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369 Kornai, "Transformational Recession." Also, see Fidrmuc, "Transformation Crises."

370 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 40.

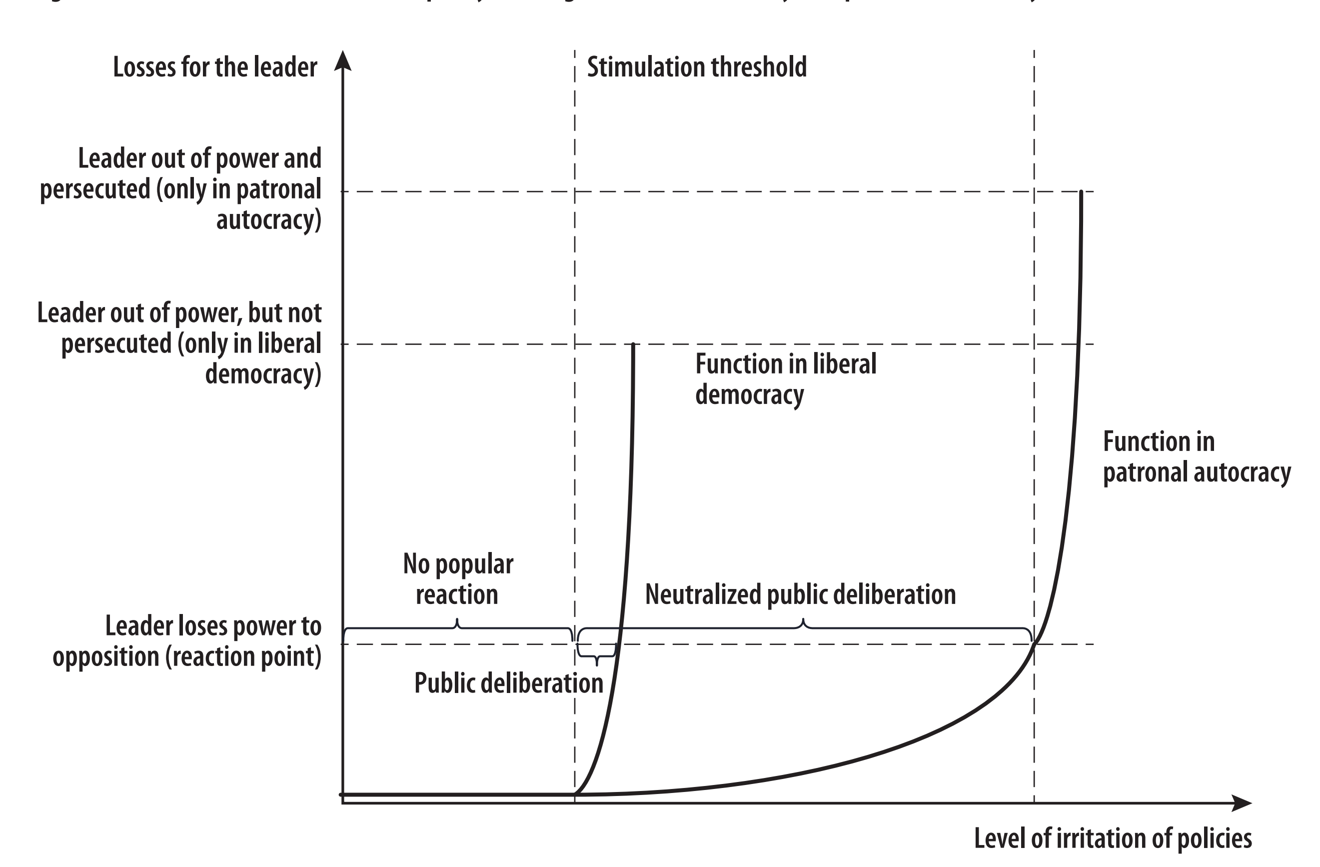
371 Dabrowski, "Macroeconomic Stabilization."

372 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 32–40; Marangos, "Was Shock Therapy Consistent with the Washington Consensus?"

373 Treisman, "The Political Economy of Change after Communism."

374 Havrylyshyn, *Divergent Paths in Post-Communist Transformation*.

Figure 7.26. Losses for the leader and policy-making in liberal democracy and patronal autocracy.



icies in every country. For example: ethnic cleavages may require special minority laws; the presence of a deep state is related to lustration laws; a large country may have a federal structure, with strong local governments and parliaments; member states of the European Union must go through a process of harmonization of laws before they enter (and accept EU regulations later); FDI-dependent countries often engage in so-called tax competition to attract foreign investors; and special mining (extraction) policies, price controls or loose financial regulations for the adopted political family's banks are often implemented to create distributable rent.

Yet **a general country-specific feature**, which is always present but differs from country to country, **is the people and their "stimulation threshold."** Indeed, even in patronal autocracies, as Petrov and his colleagues show, "just having *some* real opposition on the ballot in elections and some political freedoms (such as information exchange, forming organizations, and election monitoring) forces *some* accountability upon the regime, compelling it to adopt policy outputs closer to social preferences than it otherwise would" (emphasis in original).[375] This is illustrated in Figure 7.26 by a simple model, loosely based on the one the authors provide. The horizontal axis represents how irritating policies are for the people, who react to the consequences of the regime's action on their life (public-policy consequences, i.e., consequences for the public). The people's reaction to a certain policy

[375] Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 4.

may be (a) singular, meaning it stems solely from the given policy, or (b) accumulative, meaning the given policy is just "the last straw" as people have already experienced consequences from previous policies. This leads us to the stimulation threshold, which refers to **the level of irritation when people start to take political action, usually abandoning the ruling party**. This may not result in an immediate loss for the leader, however: no political regime is perfectly sensitive to public opinion. Yet the process of public deliberation makes liberal democracy more sensitive to the public than patronal autocracy, where that process is neutralized and the rulers are less accountable [→ 4.3]. This is demonstrated on the vertical axis, which shows the losses for the leader. As the figure shows, **even slightly stepping over the stimulation threshold makes democratic leaders lose power to the opposition**, who have the incentive and the means to capitalize on the people's resentment. In contrast, **the chief patron can step way over the stimulation without starting to lose power**, as a result of neutralized public deliberation.[376]

In the figure, we refer to the point when the leader starts losing power in the vertical axis as **reaction point**. For it is this point when the leading political elite must **take action** in order to stop losing popularity and **decrease the risk of (a) electoral correction and entering the opposition or (b) electoral/extra-electoral restitution and prosecution for the crimes committed when in power** [→ 4.3.3.2, 4.4.4]. Indeed, these are the two peaks where political careers of liberal democratic and patronal autocratic leaders can culminate, respectively. (The leaders of a conservative autocracy do not commit crimes either, so irritating policies in their case would endanger only (a), not unlike a liberal democracy [→ 7.2.1].)

Normally, the leading political elite—in both regimes—tries to act within the amplitude of zero level of irritation and the level where it starts losing power. Yet **the leaders**, although they often rely to a great extent on opinion polls, **are not perfectly informed: they can make mistakes** in assessing policy effects, the stimulation threshold as well as the point where they start losing power.[377] The question that arises is **what the leaders can do when they reach the reaction point**. **In a liberal democracy**, where the factors the people react to may be either intended or unintended consequences of public policies, the obvious thing political leaders can do is **change policy**: either (a) the policy that triggered the people and that the opposition capitalizes on, or (b) other policies, trying to appease the people by changing the cumulative experience they have of the regime's actions. **In a patronal autocracy**, however, where the public-policy consequences the people react to are the unintended side effects of patronal policies, **the chief patron can either (a) change policy or (b) try to expand his room for maneuver by the means of public authority**. On the one hand, this can be achieved by further neutralizing the process of public deliberation: further one-sided changes in the electoral system, harassing the opposition, or launching floor-monopolizing campaigns to reframe the public

[376] Only that patronal autocracy is less sensitive than liberal democracy is ideal typical (regime-specific). Exactly how greater room for maneuver a chief patron has in contrast to democratic leaders is an empirical question, and so is the exact place of the stimulation threshold (country-specific, and even—as far as public opinion changes over time—era-specific).

[377] Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 5.

discourse.[378] On the other hand, the chief patron may use violence, meaning either in-sourced state coercion (e.g., the police) or outsourced state coercion (e.g., paramilitaries or the organized underworld) [→ 4.3.5.4].[379] **Which way the chief patron chooses depends primarily on two factors: (1) how important the given policy is and (2) how far he can go in neutralizing public deliberation or using violence.** As we mentioned in Chapter 4, the level of violence in countries like Hungary is lower, mainly because of EU membership as well as the generally low stimulation threshold for violence,[380] whereas in countries like Russia or Turkmenistan violence is more available as an effective tool for the leaders [→ 4.4.3.2].

Violence in Russia in response to popular dissatisfaction is exemplified by the so-called "battle for Khimki Forest." Petrov and his colleagues report, in 2004 "government representatives mooted plans to build a new superhighway […] which would circumvent the city of Khimki, which is just outside Moscow, by cutting through a locally cherished forest that was registered as a natural landmark and unique to the region around Russia's capital. […] Local residents quickly mobilized against the plan, [winning] the backing of some significant allies, including Mikhail Beketov, editor of the newspaper *Khimkinskaya Pravda*. […] The local authorities throughout this period responded to protesters' efforts with brutal vigor. During the early phase of opposition mobilization, they shut down large public hearings before discussion could start. Pro-forest activists were harassed. Beketov's car was bombed, then in November 2008 he was savagely beaten. [When protesters] succeeded temporarily in halting the clearing […] a crowd of youths showed up in masks, evidently to remove the protesters by force. Local police either failed to intervene or acted in the interests of the construction project."[381] While the story did not stop here, this description clearly indicates the use of both insourced and outsourced state coercion to break down social opposition. In contrast, one example for changing policy in face of social dissatisfaction is from Hungary. A measure that sparked sudden mobilization was an attempt to tax internet traffic. Though never introduced, this proposal affected young generations who had previously avoided politics but were sensitive to this attack on their personal freedom. The internet tax prompted tens of thousands of citizens to take to the streets in protest in late 2014. This policy was not of central importance to Orbán, and it was also poorly prepared: the actual amount collected according to the parameters of the tax would have drastically exceeded the government-planned revenues from the tax at roughly 20 billion forint (ca. €65 million). After the issue generated the largest mass rally to have occurred against the Fidesz government, Orbán soon decided to abandon it, securing his position below the level when he would have started to lose power.[382] Indeed, a similar case happened in Russia as well, after the liquidation of ben-

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[378] Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 4–12.

[379] Escribà-Folch, "Repression, Political Threats, and Survival under Autocracy."

[380] This is showed by how Fidesz could refer to the 2006 police violence as one of the main sins of the social-liberal government. See Palonen, "Political Polarisation and Populism in Contemporary Hungary."

[381] Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 14–15.

[382] Szabó and Mikecz, "After the Orbán-Revolution: The Awakening of Civil Society in Hungary?"

efits for transportation and medicine was followed by pensioners rallying on the streets of Moscow in 2005.[383]

The general moral of the previous paragraphs is that **people matter**—and indeed, they matter **to the success of public policies as well** as patronal ones. In an important passage, Csaba explains that "neither the material factors formalized in mainstream economic theory—such as capital, labor, land, or innovation itself […]—nor the repeated rules of the game highlighted by […] the institutional school provide satisfactory explanation […]. [Instead], **the value system and the social dialogue about values are the keys to success**. This leads to social trust, acceptance […] of the merits of success, the honor of reliability and compliance to the law, and impartial justice. […] These factors, emphatically not material but intellectual, are those which have an explanatory power. By far the best-known example: although the Chinese invented 'everything,' from porcelain to book printing, in the mid-19th century a marginalizing, disintegrated central Chinese state was struggling to survive. Meanwhile Europe, with its unfriendly climate and frequent wars, took the lead—through **the social utilization of knowledge, founded on the values and the change of social** […] **norms**" (emphasis added).[384] This leads us back to the beginning of the book, to the separation of spheres of social action, from which social norms follow to a great extent [→ 1]. This creates some path dependence, as we noted in the beginning of the book—but approaching the end of it, we have shown what a great variety of other factors may contribute to the development of regimes. Whatever measures we use to determine success, chances of path creation are there in every country: to every people, in every time, under every regime.

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383 Petrov, Lipman, and Hale, "Three Dilemmas of Hybrid Regime Governance," 12–14.

384 Csaba, *Válság–gazdaság–világ* [Crisis-economy-world], 17.

Conclusion



Conclusion

The Significance of Language and the Basic Axioms to Analyze Post-Communist Regimes

While the title of this book is "The Anatomy of Post-Communist Regimes," it could have also been "A New Language for Post-Communist Regimes." Indeed, much of this work centers on terminology, and we stress the importance of **using the right language in describing the world we see**. Biological metaphors help illustrate this: if we use the language developed for describing fish, such as "gills," "scales" and "fins," we cannot very well describe an elephant. Saying that it has no gills and fins does not say much about what the elephant substantively is, and recognizing it as a "defective," special kind of fish that does not live in water also makes little sense. When differences are not just large but qualitative and they constitute a new species, the language we use should also acknowledge this. New concepts must be introduced to capture the *sui generis* features of the new type(s), carefully delimited from other types and their features. This is not to deny that different types might share some traits—both fish and elephants are vertebrate—but there are **fundamental differences** that separate them at their very bases—fish and elephants cannot have a viable offspring.[1]

In the case of post-communist regimes, "fundamental differences" can also be called **system-constituting differences**, whereas the "very bases" are the features from which all the other (regime-specific) features can be derived in the post-communist environment. We started our exposition by identifying **the key societal and rulership structures of unseparated spheres in Chapter 1**. We used these structures in Chapter 2 to derive that (1) the distinctive forms of post-communist states run on the principle of elite interest, therefore we need to focus on concepts presuming that principle, and (2) the four aspects by which states can be typed are the nature of the ruling elite, action targeting power, action targeting property, and the legality of action. The next logical step was to define partial state types and combine them in a complete state type, that is, one that is defined from all four analytical angles. This ultimate combination of elite-interest based state definitions was the mafia state, which is also—by the definition of "state"—the center of power in a regime, which we termed patronal autocracy. This was then, in Part 2.4.6, contrasted with the constitutional state of liberal democracy, described along the same four aspects but with features conforming to the principle of societal interest. The "very bases" that separated the two states and regimes were, then, **the dominant principles of state functioning**, whereas their specific functioning manifested as we **interpreted** these principles **along the aspects provided by the boundary conditions** of post-communist stubborn structures. The rest of our discussion of regime-specific features in Chapters 3–6 also frequently referred to both the principles of state functioning and the basic phenomena of

[1] On biological taxonomy, see Richards, *Biological Classification*.

stubborn structures (informal networks, power&ownership, patronalism and patrimonialism), indicating the very bases along which the discussion of various political, economic and societal aspects of liberal democracy and patronal autocracy unfolded.[2] Including the preexisting Kornaian model of communist dictatorship, we identified three **highly distinct "species," the polar type regimes**. And just as the elephant is not an illiberal fish, patronal autocracy is not "illiberal democracy" but a separate type that cannot be derived from the internal logic of other polar types like the Western-type (liberal) democracy.[3]

Liberal democracy, patronal autocracy and communist dictatorship are not just three regime types: they are **language-forming poles**. These are the regime types that require their own language, that is, 1–1 distinct set of concepts that reflects on the respective regime's *sui generis* characteristics, or rather the fundamentally different context formed by these characteristics for the concepts. Indeed, **being a language-forming pole was the main reason why these three regimes were chosen as polar types** in the first place. In contrast, the **intermediary types—patronal democracy, conservative autocracy, and market-exploiting dictatorship—can be captured by mixed languages, constructed from the primary languages of the language-forming poles**. The logic is similar to that of a color wheel, which captures the relation between primary colors, which cannot be mixed from any other colors (red, yellow, blue), and secondary colors, which can be mixed from the primary colors (orange from red and yellow, purple from red and blue, and green from yellow and blue). Languages of the three polar type regimes are like primary colors: they cannot be mixed from any other one but constitute *sui generis* structures. The languages of the three intermediary types, however, are like the secondary colors, as they can be mixed from the primary languages of their neighboring polar types.[4] For **patronal democracy**, we need to combine concepts mainly from liberal democracy (multi-pyramid power network) and patronal autocracy (informal patronalism); for **conservative autocracy**, we need to combine concepts mainly from liberal democracy (non-patronal economy) and communist dictatorship (bureaucratic patronalism); and for **market-exploiting dictatorship**, we need to combine concepts mainly from communist dictatorship (bureaucratic patronalism) and patronal autocracy (informal patronalism), although in this case concepts from private

[2] Indeed, the structure of our comparative conceptualizations followed mainly the structure of patronal autocracy. This was a deliberate choice, as it is patronal regimes that we found underconceptualized in the literature, lacking a coherent framework for regime and sub-regime elements, and we primarily wanted to fill this gap. Yet, in spite of discussing every regime (actors etc.) along the lines of patronal autocracy, we attempted to make clear that they are structured differently, and the phenomena that are conceptualized comparatively exist with different weight and in different relations to each other in different systems.

[3] Some authors argue that Western-type democracy should be rejected as a root concept to acknowledge, precisely not autocracies but "non-Western democracies." For a regime that is unlike the Western model still can be a democracy, even if the local circumstances and culture create certain 'exotic' elements that make it a non-Western variant. (Youngs, "Exploring 'Non-Western Democracy'"; Lakatos, "Nyugatos és nem nyugatos demokráciák" [Western and non-western democracies].) The answer to this view can be found in Chapter 1: on the level of regime-specific features, culture can result in patronalism, and whether the respective regime is democratic or autocratic really depends on other factors [→ 1.5.2]. But it is only patronal democracy that is non-Western *democracy*, because it features a multi-pyramid power network. Patronal autocracy, while really non-Western, is not a democracy because it features a single-pyramid power network.

[4] We are indebted to Klára Sándor for this brilliant metaphor.

economy and regulated market-coordination need to be mixed into the language, too, to be able to reflect on all of its features.

Being conscious about the use of language also grants a kind of freedom. As Stephen Hawking explains in *The Grand Design*, co-written with the scientist Leonard Mlodinow, "there is no picture- or theory-independent concept of reality. Instead we will adopt a view that we will call model-dependent realism," which means that "an independently verifiable model of reality does not exist. Consequently, a well-constructed model creates its own reality. [...] Model-dependent realism applies not only to scientific models but also to the conscious and subconscious mental models we all create in order to interpret and understand the everyday world."[5] This is applicable in social sciences just as much as in natural sciences. If we take a look at something, it is given meaning by the cognitive processes of our mind. Without an adequate linguistic and conceptual framework, we will become captives of our own prejudices; **without consciously attempting to capture reality in proper conceptual terms, we will inevitably be stuck in our preexisting frame**, forcing us unconsciously to try and apply its assumptions everywhere. Like wearing invisible glasses that focus our perception in specific ways, not being aware of the implicit axioms carried by our words will ultimately distort both the interpretation and understanding of reality.

Being trapped in a language without completely realizing it is precisely what characterizes **mainstream hybridology**. While they did realize the presence of *sui generis* regimes and made indisputable progress in understanding the machinery of democratic façades (we did build on their findings in Chapter 4), hybridologists have not realized the presence of some **fundamental axioms** in their analyses—therefore denying, axiomatically, the existence of those phenomena that distinguish Western and post-communist regimes. **The gist of this book is to dissolve these axioms, taking control of the language instead of letting the language control us.**

The general axiom of mainstream hybridology is the **separation of spheres of social action**, treated as something that already exists in every society. This is expressed by using words like "politician" and "entrepreneur" in every regime, or recognizing such actors primarily by their formal titles to which informal titles and positions may be connected secondarily. A consequence of this axiom is the treatment of a great deal of phenomena as **deviances**, most importantly **informality and (informal) patronalism**. Even when hybridologists like Levitsky and Way highlight "the centrality of informal institutions" in competitive authoritarian regimes, they explain them as some creative inventions necessitated by the post-Cold War international environment "raising the cost of formal (e.g., single-party) authoritarian rule," not as something that stems from historical and civilizational legacies and has been a definitive factor in democracies as well as autocracies.[6]

Dissolving the general axiom, we realize that **the level of separation was treated as a constant, whereas it is actually variable**. This is how we started Chapter 1, embedding

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[5] Hawking and Mlodinow, *The Grand Design*, 42–46.

[6] Levitsky and Way, *Competitive Authoritarianism*, 27–28. In an article written ten years after their seminal book, the authors still analyze the case of Hungary with a focus on formal institutions, and treat the party Fidesz as the central actor of the regime (although it is only a transmission belt [→ 3.3.8] to Orbán's adopted political family, the actual—informal—central actor). Levitsky and Way, "The New Competitive Authoritarianism."

the notion of level of separation in civilizational as well as historical analysis. As a result, we dissolved the consequential axioms, as well, that regard informality and patronalism as deviances. Doing away with the logic implied by the language of liberal democracy, we entertained the possibility that **informality may become primary**, as well as that **patronalism may be a constitutive element** of a regime. Creating the language for patronal regimes,[7] these were the main points we always kept in mind, and without them, we would not have been able to structure all the political, economic and social phenomena of post-communism as coherently as we did.

By our intention, the concepts in this book constitute a strict logical order—a conceptual toolkit that is also a language, consisting of the languages of the language-forming poles. Its concepts correspond to real world phenomena, carefully documented in the plethora of empirical research we cited throughout the book. These phenomena of post-communism guided us in terms of which topics our framework needed to cover. However, constructing utopian **ideal types** out of the phenomena actually observed—in the mold of Max Weber—we defined **building blocks, carefully delimited for the purpose of seamlessly putting them together in a single construct**. The blocks are joined up by politological, economical and sociological theories, which, however, were not chosen arbitrarily but disciplined by the need to create a coherent whole. Because of the high number of interrelations among concepts—indicated by the frequent use of link signs in the text—it is indeed the means of logic that provides the primary binder between phenomena like patronalism, mafia state, adopted political family, populism, relational economy and clientage society. Such concepts define an ideal type model (in this case, the model of patronal autocracy), which can be applied for real world regimes, processes and phenomena as a point of reference. Naturally, no country will perfectly fit—hence "ideal" type. But **countries where the respective features are dominant**, meaning the majority of cases and events do fit, **can be described with the language the selected ideal type offers**. And defining six models, that is, six ideal type regimes in a multi-dimensional analytical framework, a rich set of concepts for telling the stories of post-communist regimes emerges.

The framework is useful for future research also because **it defines the place of not just every phenomenon but the discussion** about it in the context of all the other phenomena. Thus, a detailed discussion of each element (something we had to avoid in this book) will automatically build on the framework as well. In other words, scholarly papers that can necessarily deal with only one aspect or regime-element may, by speaking our language, contribute both to the understanding of their subject and to our knowledge about the regime as a whole.

In the end, what we intended to do is not reproducing the colorful chaos of the literature but creating an edifice—for beginners to see, and for scholars to adopt or criticize.

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[7] The languages of liberal democracy and communist dictatorship were mostly pre-existent, being situated on the two poles of the mainstream democracy-dictatorship axis. Yet we did structure them and delineated from patronal regimes, using concepts like public deliberation and substantive-rational legitimacy [→ 4.2].

Towards a Global Perspective: Dissolving Our Implicit Axioms for the Post-Communist Region

The main limitation of our framework is in scope: we focused on the post-communist region, from Central-Eastern Europe through the post-Soviet countries to China. This also means that **our own framework had some—up to this point, implicit—axioms: factors we treated as constants** because they are constants in the post-communist region, at least to the degree that they do not generate system-constituting differences. But this is not necessarily true in other regions. This implies the general logic to expand our framework on a global scale: **as we dissolved the axioms of the Western civilization to expand our linguistic scope to be able to reflect on the reality of post-communism, the axioms of this region can be dissolved to expand our framework's linguistic scope to be able to reflect on the reality of other regions**.

Before we reveal the axioms we maintained for post-communist regimes, we should note that **there are some countries outside the post-communist region which can be described by our toolkit**, without dissolving its axioms. This was not completely intentional: we defined ideal types for the purposes of this region, and did not try to reflect on the peculiarities of other regions. Yet most **liberal democracies** can be found outside the post-communist region, particularly in the **Western civilization**. Countries like Australia, Sweden or the United States should well be approximated by the liberal-democracy ideal type, which is indeed implied in the book as we used, when developing the model, mainstream authors who analyzed democracy and its processes as Western-type liberal democracy. At the other end of the democracy-dictatorship axis, **communist dictatorship now exists only outside the post-communist region**, best exemplified by **North Korea**, which maintains a particularly oppressive, near ideal-typical communist regime. **Market-exploiting dictatorship** typically necessitates a communist past and therefore may exist in post-communist countries we did not consider, such as in **Vietnam and Cambodia** in South-East Asia.[8] As far as **patronal regimes** are concerned, Hale suggests that a variety of single- and multi-pyramid patronal networks have existed in **Latin America** and **Sub-Saharan Africa**, which also features numerous countries that experienced regime change from communist dictatorship in the 1990s (Angola, Benin, Burkina Faso, Congo, Ethiopia, Madagascar, Mozambique, Somalia).[9] Although the analysis of these countries in the present day requires dissolving some of our axioms (see below), the concepts for patronal competition and autocratic consolidation—or the lack thereof—may be applied with revelative force in these countries. A nation that is clearly a **patronal democracy** is **Mongolia**, whereas **Singapore** represents a curious case of single-pyramid power network with multi-party elections and non-patronal economy—somewhat akin to the model of **conservative autocracy**.[10]

8 Malesky and London, "The Political Economy of Development in China and Vietnam."

9 Hale, *Patronal Politics*, 466–67; Drew, "Communism in Africa."

10 Hale, *Patronal Politics*, 471–72.

Yet detailed analysis of countries outside the post-communist region is beyond our expertise, and we are convinced that **several phenomena that are peculiar to other regions cannot be understood in our framework**. Concretely, one must **dissolve some of our axioms**, or realize that factors that do not become system-differentiating in the post-communist region—and therefore have not been mentioned above—may well become such in other regions. We identified five axioms that may be particularly inadequate when analyzing non-post-communist hybrid regimes:[11]

- **Genesis axiom**: **regime development starts from the collapse of the monopoly of public ownership.** In the modelled trajectories of Chapter 7, every country we analyzed started from the same "Square One:" communist dictatorship. After this regime type was abandoned, monopoly of public ownership was abolished in every post-communist country, irrespective of their exact primary trajectory. In Chapter 5, we explained that ownership in the region developed hand in hand with political power as communist nationalization and regime-changing privatization constituted consecutive political reorganizations of the ownership structure. This was the genesis of these regimes, having long lasting effects on the character of ownership, its linked nature to power as well as the economic and political culture in the region. Yet there are many countries in the world with no past of monopoly of public ownership, and therefore no communist nationalization and regime-changing privatization either. We briefly dealt with Western-type property rights, but our conceptualization may not be adequate in regimes which had a different genesis, a different "Square One" and a different history of development of ownership. Post-colonial countries, for example, are cases in point.
- **Stateness axiom: the center of the regime is the state as a stable entity, capable of maintaining the monopoly of legitimate use of violence.** While our definition of regime contains only the expression "political power center," we immediately pointed out that this refers to the state in the region. With the exception of oligarchic anarchy, which was a temporary situation of transition in some countries, we did not conceptualize regimes where state failure becomes a permanent condition. More generally, we did not deal with civil wars or countries where there is either (a) a state so weak that it ends being the political power center or (b) no state whatsoever but rather a number of armed groups and warlords, none of which are able to get into a dominant position to establish a state. The dimension of state strength does not appear in our triangular framework, therefore countries where this becomes the system-differentiating feature cannot be adequately reflected by our ideal type regimes.
- **Secularism axiom: ruling elites are secular and the polity is dominated by secular power.** In our framework, religion appears (1) in the context of civilizations, as a signifier of the separation of spheres of social action, and (2) as a communal phenomenon, represented by churches as communal actors. Even in Central Asia today, secular power dominates religious power, and ruling elites that control the

[11] Indeed, the scope of hybridology is way beyond the post-communist region, ambitioning to capture every (not purely democratic or dictatorial) regime in the world as some kind of hybrid. For examples, see Bosch, "Mapping Political Regime Typologies"; Ekman, "Political Participation and Regime Stability."

state do not act as religious extremists but as secular actors. Treating religion as the integrating force of society, on the one hand, and the primary principle of the state, on the other hand, is beyond the scope of our framework now. This means that theocracies and other kind of regimes dominated by religious power open a new dimension of regime differentiation.

- **Party axiom: the highest formal positions are occupied by *de jure* politicians of political parties (not the military or a monarch).** In the post-communist region we consider, there are no military juntas or coups, but the military exists in a subordinate position to the holders of the highest formal positions. These positions are also not occupied by monarchs but *de jure* presidents, prime ministers or general party secretaries, who are *de jure* politicians of political parties. The dominance of such actors over the political sphere has been treated in the book as an axiom, while this indeed is just one possibility if we consider other countries in the world. Military dictatorships, as well as kingdoms and hereditary monarchies require concepts beyond those of our framework, including the conceptualization of the military or the aristocracy as specific forms of ruling elite.
- **Tutelage axiom: the strongest *de facto* political actor in the regime is a *de jure* political actor.** While *de facto* political actors in patronal regimes can be best understood by considering their informal, and not their formal, titles, there is always significant overlap between the formal and informal holders of political power. Particularly, the chief patron is typically the president or the prime minister, but even when he is not—like it was the case with Plahotniuc in Moldova—he still is a *de jure* political actor. However, hybridology knows so-called "tutelary regimes," where *de jure* political actors become practically political front men to non-elected religious (e.g., Iran) or military (e.g., Pakistan) authorities without becoming explicit theocracies or juntas.[12] Furthermore, we did not consider the regimes of militarily invaded or so-called puppet states either, where the *de jure* sovereign government is subordinated not to a domestic but to a foreign power.

Additionally, **we treated civilizational belonging as a variable but on a limited scale**. Huntington lists eight major civilizations in the world: Sinic, Japanese, Hindu, Islamic, Orthodox, Western, Latin American, and (possibly) African.[13] From these, we dealt with only four civilizations, linking them to the level of separation of spheres of social action. This is the starting point of the stubborn-sturctures argument, as well as our general understanding of why certain countries develop certain regimes and how they can be interpreted. Thus, **the level of separation of spheres of social action must be assessed in the Japanese, Hindu, Latin-American and African civilizations** to develop proper regime types and analytical frameworks for their countries, delineating them from the post-communist region we considered.

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12 Levitsky and Way, *Competitive Authoritarianism*, 14.

13 Huntington, *The Clash of Civilizations*, 45–48. Katzenstein and his colleagues also divide the world similarly, putting particular emphasis on the Western, Chinese, Japanese, Indian and Islam civilizations. Katzenstein, *Civilizations in World Politics*.

In the end, area experts need to decide whether (1) the axioms being dissolved to be variables and (2) belonging to another civilization constitute **a need for independent-language formation**. To us, this is an open question, and we would not attempt to give a definitive answer by partial knowledge. What we are sure about is that no regime in the world may be properly understood by focusing only on the political institutional setting, or presuming *a priori* that the spheres of social action are separated. An analysis that is not holistic but purely politological—or purely economic or sociological, for that matter—may also miss elements that make sense to the very dynamics of these regimes, or which are essential factors that the actors themselves, when making decisions, do consider.

Technology and Climate Change: Era-Specific Features and the Prospects for the Future

A key aspect of our conceptualization of the anatomy of post-communist regimes is the **separation of regime-specific features from country-specific features**. While often conflated in the literature, the analytical distinction of these two is a powerful organizing principle in cross-country comparisons. Two countries can be patronal autocracies, meaning they can maintain the same system of power with the same logic and basic principles of action while their boundary conditions for the regime are vastly different. At the end of Chapter 7, we expounded on a third group, the **policy-specific features** that are usually not used to define regimes but comprise a vast body of literature that deals with the social and economic effects of governmental policies. Similar to the previous point, rulers who share regime type and perhaps even country-specific features may apply different policies to achieve their goals, and the results of those policies may also differ on the basis of many factors. However, we have only hinted at the fourth group so far: the **era-specific features, meaning phenomena that are specific to a certain age**. Having outlined a summary of our viewpoint and the basics to step out of the post-communist region for other regions, we may finish by mentioning a few ideas to step out of the present for the future. In other words, we will try to explain how our framework may need an update if one is to use it for political regimes in the decades to come.

To some extent, everything is era-specific. For most of human history, none of the regime types we describe existed: there was no communist dictatorship prior the 20th century (and there are very few now),[14] and liberal democracies that now are numerous did not exist even on the level of ideas before the Age of Enlightenement (18th century). Yet now we focus on two phenomena that are more strictly era-specific, meaning they develop over time and they can be quite clearly distinguished from the regime-, country- and policy-specific features we have described. These two are **information technology** and **climate**

[14] It might strike some readers as odd that we devoted such great space in the book to the details of communist dictatorship, despite it is a virtually "extinct species." Indeed, it was important to deal with it, for this regime type was needed to span the triangular space and model regime trajectories. It is through a detailed description of communist dictatorship that the novelties of patronal autocracy and market-exploiting dictatorship can be made clear vis-à-vis the classical model of dictatorship, also undercutting the frequent historical analogies with communism.

change. As of 2020, these phenomena have not produced system-constituting differences, and their role in regime functioning has also been subordinate to other features rather than becoming independent forces that define regime functioning as such. True, the internet has changed the character of the public deliberation process, offering—as we mentioned in Chapter 4—new spaces of communication, sources of information and opportunities for manipulation. Facebook, Twitter and other kinds of media have posed new challenges to autocrats and new opportunities for opposition movements and peoples. What we believe, however, is that with respect to the two above-mentioned features **we are on the verge of a major turning point**, whereby the look of post-communist regimes as we know it may fundamentally change in the next few decades.

Focusing on regimes and their ruling elites, what **the development of IT** does is **changing the techniques of control and oppression**. The best example is **China**, which some have already described as a "survelliance state" and a **"digital totalitarian state"**[15] because of its newly developed, big data-based systems of internet control as well as the so-called social credit system. In a special issue of the *Journal of Democracy* entitled "The Road to Digital Unfreedom," Xiao Qiang explains that the Chinese state "has set up a series of mechanisms aimed at asserting its dominance in cyberspace. It has also increasingly combined an extensive physical infrastructure of surveillance and coercion with cutting-edge digital technologies. […] By leveraging information and resource asymmetries, state agencies and the companies that cooperate with them can turn these innovative technologies into tools for manipulating ordinary citizens. Big data, for instance, is an invaluable resource for making predictions. Officials can draw on this capacity to anticipate protests and even major surges in online public opinion, enabling them to act preemptively to quash opposition. In another authoritarian application of big data, [Chinese] authorities are working to integrate information from a wide array of sources into a nationwide Social Credit System (SCS) that would assess the conduct of every person in the country, an innovation worthy of George Orwell's *Nineteen Eighty-Four*. As *Wired* magazine has put it, China's new generation of surveillance operations is indeed where 'big data meets Big Brother.'"[16] While modern autocracies and dictatorships have already done away with the bloody methods of oppression, such efficiency of big data and IT offers **completely new levels of discretional punishment on the road from direct violence to existential vulnerability**.

In response to the potential of IT also to empower the people and undermine oppression,[17] we can observe that **authoritarian regimes with imperial ambitions have tried to achieve some sort of "digital autarky,"** such as with the Great Firewall of China and intensifying internet regulations in Russia. In late 2019, the Russian regime successfully tested a country-wide alternative to the global internet, disconnecting the country from the world wide web,[18] and Putin even proposed a 'reliable' Russian version of Wikipedia, replacing the user-edited site with the new Big Russian Encyclopaedia from 1.7 billion rubles of tax

[15] "China Invents the Digital Totalitarian State."

[16] Qiang, "President Xi's Surveillance State," 53–54. Also, see Botsman, "Big Data Meets Big Brother as China Moves to Rate Its Citizens." Qiang further adds that, by the target date of 2020, the Chinese party state anticipated an entry of each Chinese citizen in the Social Credit System.

[17] See Lim, "Clicks, Cabs, and Coffee Houses"; Theocharis et al., "Using Twitter to Mobilize Protest Action."

[18] Wakefield, "Russia 'Successfully Tests' Its Unplugged Internet."

money (ca. €24 million).[19] **The 21st century sees a global struggle over whether IT will serve liberty or oppression**, and it is an open question which side will come out victorious. What we must assume is that, as autocrats learn from each other,[20] the new technologies of oppression will spread in the future. This not only makes the struggle even more global but also changes what we assume about the capacity of autocratic rulers today overall.

The other era-specific phenomenon that may have fundamental effects on post-communist regimes in the future is **climate change**. It is different from other types of external challenges: economic crises may be occasional or cyclical, while climate change is a long term, permanent challenge; and events like the coronavirus epidemic, while might change the structure of globalization, do no change regimes per se (only amplify their most essential features), whereas climate change has regime undermining potential. It poses two types of problems for the world's polities in general and post-communist autocracies in particular. First, most scientists assert that climate change will require global solutions, that is, international cooperation, which may be hindered by the same factor that breaks the EU's cohesion: regime heterogeneity. True, fighting climate change is a common cause of humanity, equally important to the peoples of liberal and patronal regimes. But that leaders will act on this assumes more public- than patronal-policy rationality, which chief patrons may not follow. In any case, not only regimes but also **the relationships between regimes may radically change in the next few decades**. Second, among the effects of climate change we can find desertification, rising sea levels and **mass migration** from less to more habitable areas. This creates enormous challenges: mass migration can potentially undermine political regimes in both sending and receiving countries, while the latter will also have to deal with large humanitarian and/or economic burdens, even if they are autocracies.[21] In the end, **the two era-specific features anticipate both challenges and opportunities for post-communist regimes' self-sustaining capacity**, which may start tertiary trajectories in hardly foreseeable directions.

While this book is perhaps the closest to, and partially modelled on, János Kornai's seminal *The Socialist System*, there is a huge difference: by the time Kornai's book was published in 1992, the Soviet empire had disappeared, while post-communist change is open-ended.[22] The ideal types we presented are applicable to systems that have emerged in the last three decades, but they might be less adequate in the future as the region's regimes continue to develop. This is in part due to era-specific features, which are exogenous factors, but endogenous factors can also play a role. As history has proved over and over again, the power of the people is the ultimate force against the enemies of freedom, from aspiring populists through autocratic attempts and breakthroughs to consolidated patronal autocracies and chief patrons. And while civilizations and the separation of spheres of social action change slowly, no cultural pattern is unchangeable. Provided we know what we look for, targeted action always carries the chance of path creation over path dependence.

After all, we have a piece of good news: history has not ended.

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[19] France-Presse, "Vladimir Putin Calls for 'Reliable' Russian Version of Wikipedia."

[20] Weyland, "Autocratic Diffusion and Cooperation."

[21] Cf. İçduygu and Şimşek, "Syrian Refugees in Turkey."

[22] This point was made by László Csaba in his review of the manuscript.

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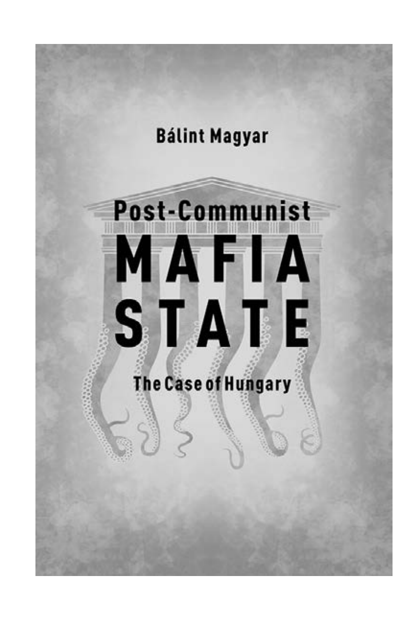
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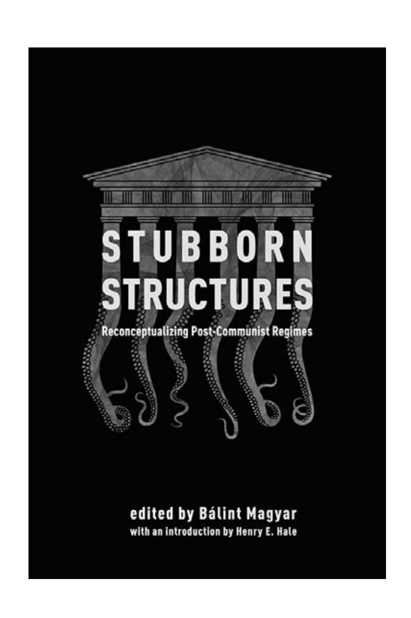
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From Iván Szelényi's review in Theory and Society *(2019) 48:639–644*

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"Reading this book feels like having the curtains opened, letting the bright light come in. Everything becomes visible and clear. The experience of living in mushy political reality gives way to unsparing, exact analysis. What comes into focus may not be pretty, but having it illuminated, ordered, and explained is incomparable."

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"I have been in the business of 'varieties of post-communist countries' since the early 1990s. Nevertheless this book is better and more important than anything I have done during the past 30 years in two important respects: 1) it carries a far greater number of countries with the most impressive empirical knowledge of their changes of the past decades; 2) it has a far more sophisticated theoretical framework than anything I could develop."

Iván Szelényi, Professor Emeritus of Sociology, Yale University

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